

Agenda Item	7
Report No	HP/23/21

HIGHLAND COUNCIL

Committee: Housing and Property Committee

Date: 15 December 2021

Report Title: Housing Revenue Account (HRA) Capital Plan 2022-2027

Report By: Executive Chief Officer Housing and Property

1 Purpose/Executive Summary

- 1.1 This report contains recommendations on the overall level of HRA capital resources for 2022-2027 and on investment priorities for the next 5 years, as well as proposed disaggregation of HRA Capital Programme resources to Local Committees.

2 Recommendations

2.1 Members are invited to:-

1. **APPROVE** the overall HRA Mainstream Capital Budget of £88.599m for 2022-2027;
2. **APPROVE** the investment priorities for both the Mainstream and New Build programmes as set out in section 5 of the report;
3. **APPROVE** the disaggregation of resources to Local Committee level set out at section 6 of the report;
4. **AGREE** that discussion be held with Local Members on the specific projects and local priorities with Area Committees agreeing their capital programme for 2022/23.

3 Implications

3.1 **Resource** – These are indicated in the content of this report. The plan will be funded mainly through borrowing for improvements to existing Council housing and through borrowing, grant income and the use of Landbank funding in relation to Council House Building. The level of capital programme recommended is considered to be manageable within HRA revenue projections.

3.2 **Legal** – There are no implications arising from this report.

- 3.3 **Community (Equality, Poverty and Rural)** - This report details continuing investment in adaptations to allow disabled tenants to remain in their homes.
- 3.4 **Climate Change/Carbon Clever** - Continuing investment in heating and energy efficiency in council housing will help meet council objectives in relation to fuel poverty and climate change.
- 3.5 **Risk** - Implications to the budget position, and budget assumptions, will be kept under review and reported to future Committee.
- 3.6 **Gaelic** - There are no Gaelic implications arising from this report.

4 Background

- 4.1 The Council's Annual Return of the Scottish Social Housing Charter to 31 March 2016 reported that the Council had reached compliance with the Scottish Housing Quality Standard (SHQS). It should be noted that ongoing investment is required to ensure continued compliance with the Standard.
- 4.2 The priority for future investment since then has been based on a number of post-SHQS Capital Plan principles:
- a life-cycle based approach to major component replacement, which targets replacement of kitchens, bathrooms, windows and doors based on the last installation date recorded on the Housing Information System, adjusted through area knowledge on other relevant stock condition information;
 - a programme of heating and energy efficiency work based on compliance where feasible with the Scottish Government's Energy Efficiency Standard for Social Housing (EESH);
 - an allowance for structural work to roofs, chimneys and external fabric of properties;
 - an allowance for environmental improvement works; and
 - continued funding of equipment and adaptations to allow disabled and elderly tenants to remain in their current tenancy.
- 4.3 Approval was granted at Community Services Committee on 25 August 2015 for a 5-year capital plan from 2016 to 2021 with funding allocations set out for each of the 5 years. As a result of the Covid-19 pandemic, it was agreed at Committee on 15 August 2020 that a 1-year plan be approved for 2021/22, to allow more detailed work to take place on a new 5-year plan.

5 Investment required

5.1 Mainstream HRA Capital investment

The starting point for HRA capital planning is to estimate a reasonable level of expenditure required given the Highland housing stock. In order to establish this as objectively as possible the Council has carried out an analysis of Highland housing stock based on a standard set of 'Major Repairs Allowances' published by the UK Government Department for Communities and Local Government, adjusted for projected annual BCIS indices (contract price inflation).

- 5.2 This method provides standard investment allowances per house based on house type

and construction. These allowances are based on the costs of standard life cycle replacement of major building elements.

- 5.3 The analysis has identified estimated spend per property type as detailed below. Over the course of the 5-year capital plan 2022-27, this investment is estimated at £83.599m. Details of the estimated spend per property type are provided in the table below:

Table 1 - Estimated investment per property type 2022-27

Architype	Investment required 2022-27 £000
Pre 1945 small terrace houses - F017mm	£1,490
Pre 1945 semi-detached houses - F018mm	£1,300
All other pre-1945 houses - F019mm	£0.5
1945 - 64 small terrace houses - F020mm	£5,290
1945-64 large terrace, s-detached and detached houses - F021mm	£5,565
1965-74 houses - F022mm	£11,025
Post 1974 houses - F023mm	£9,220
Non-Traditional houses - F024mm	£7,990
Pre 1945 low rise (1-2 storey) flats - F025mm	£4,170
Post 1944 low rise (1-2 storey) flats - F026mm	£12,945
Medium rise (3-5 storey) flats - F027mm	£8,128
Bungalows - F029mm	£16,475
Total	£83,599

- 5.4 Separate to the mainstream investment works, analysis has taken place in regard to the funding of medical adaptations. It is recommended that ongoing funding of £1m per annum will meet the demand of this work. Funding is allocated on an area basis as a ratio to stock numbers. This funding will be reviewed during the course of the capital plan to ensure that this demand can continue to be met.
- 5.5 Funding for the 5-year capital plan is currently anticipated as being achieved through prudential borrowing. Loan charges for all borrowing used to fund HRA capital investment are funded through HRA Revenue. The HRA Revenue Estimates 2022/23 report to January Committee, will take into consideration the borrowing requirements detailed in the capital plan.
- 5.6 We will continue to produce detailed revenue estimates and updated projections annually, but at this stage the level of investment required appears manageable within HRA projections.
- 5.7 It should also be noted that the Scottish Government has decided to review the Energy Efficiency Standard for Social Housing in 2023. This will have implications for the 5-year capital plan as the review will identify the national requirements for social landlords in regard to energy efficiency works.
- 5.8 Ahead of the national review, the Council has commissioned Changeworks to carry out analysis of Highland stock. The aim of this analysis is to provide a costed assessment of the type and scale of energy efficiency works that may be required in Highland. This will include analysis of the various renewable heating options and an assessment of costs

and potential impacts on tenant fuel bills.

- 5.9 The analysis will also link in with the Council’s commitment to provide a Local Heat and Energy Efficiency Strategy and it will link with the Council’s commitment to reach Net Zero targets.
- 5.10 The results of the above analysis will be reported to Committee in 2022 and this will make recommendations on any amendments required to the capital plan in order to achieve better energy efficiency in our housing stock. The expectation is that there will be additional cost pressures involved in achieving Net Zero and this will be subject to further discussion with Members as information becomes available.
- 5.11 During the course of the capital plan, the intention will be to link future programming of housing investment with the Council’s long-term asset management principles. This will include detailed analysis of the viability of housing stock and a more quantitative approach to investment so that the Council can make the best decisions over what stock to invest in after 2027.
- 5.12 **New build investment**
 Estimated investment on the new build programme has also been factored into the HRA projections. The table below details estimated spend per annum for each of the next 5 years. It also provides details of the projected funding source which will be reviewed annually:

Table 2 – Projected new build investment 2022-27

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Scottish Government Grant	£14,400	£15,120	£15,876	£16,670	£17,503
Land bank	£2,240	£2,240	£2,240	£2,240	£2,240
Borrowing	£12,160	£12,768	£13,406	£14,077	£14,781
Total	£28,800	£30,128	£31,522	£32,987	£34,524

- 5.13 Further details on the new build programme are included in the Strategic Housing Investment Programme report to this Committee.

6 HRA Mainstream Capital Programme 2022/23

- 6.1 As detailed in the HRA Capital Monitoring Quarter 2 report to this Committee, the ongoing Covid-19 pandemic continues to impact on the delivery of the current programme. There are also ongoing concerns about the long-term costs of works given problems within the construction industry. It is likely that there will be a significant carry-forward of budget into 2022/23 from the current year’s programme.
- 6.2 As such, it is recommended that the 5-year Capital Plan has a reduced allocation of £7.7m for 2022/23 (year 1) and that the following 4 years have higher investment allocations to achieve the full level of investment over the 5-year plan period. The proposed annual allocations are detailed in the table below:

Table 3 - HRA Mainstream Capital Programme Budget Allocations per annum 2022-27

Year	Mainstream £'000	Aids Adaptations & £'000	Total £'000
2022-23	£6,700	£1,000	£7,700
2023-24	£18,252	£1,000	£19,252
2024-25	£18,930	£1,000	£19,930
2025-26	£19,564	£1,000	£20,564
2026-27	£20,153	£1,000	£21,153
Total	£83,599	£5,000	£88,599

- 6.3 It is hoped that phasing investment in this way will allow Project Management staff time to work with the construction industry so that they can package projects within a workable timescale and achieve value for money.
- 6.4 It is recommended that the focus on the 2022/23 programme will be on carrying out the most essential investment works, such as one-off installations like urgent heating replacements as identified by the local maintenance teams. It is recommended that the programme for adaptations will remain the same across all 5 years of the plan, rather than varied across years to ensure that any works assessed by Occupational Therapy are progressed as quickly as possible.
- 6.5 Proposed funding allocations for 2022/23 are identified in the table below:

Table 4 - HRA Capital Programme area budgets 2022/23

Area	Mainstream £'000	Aids Adaptations & £'000	Total £'000
Caithness	£940	£134	£1,074
Sutherland	£417	£116	£533
Easter Ross	£965	£108	£1,073
Wester Ross, Strathpeffer & Lochalsh	£243	£27	£270
Dingwall & Seaforth	£459	£51	£510
Black Isle	£154	£16	£170
Isle of Skye & Raasay	£176	£67	£243
Inverness	£2,111	£252	£2,363
Nairnshire	£335	£73	£408
Lochaber	£645	£119	£764
Badenoch & Strathspey	£255	£37	£292
Total	£6,700	£1,000	£7,700

- 6.6 Discussion over proposed works and locations will be scheduled with local Members in the coming weeks ahead of local committee approval of area programmes in early 2022.

Designation: Executive Chief Officer Housing and Property

Date: 30 November 2021

Authors: Brian Cameron, Housing Policy & Investment Manager