

Agenda Item	<b>10</b>
Report No	<b>CC/06/23</b>

## HIGHLAND COUNCIL

**Committee:** Caithness Committee

**Date:** 6 February 2023

**Report Title:** Caithness HRA Capital Programme 2022-23 Update and 2023-27 Programme

**Report By:** Executive Chief Officer Housing and Property

### 1 Purpose/Executive Summary

1.1 This report provides an update on the Caithness HRA Capital Programme for 2022-23 and the proposed investment priorities for 2023-27

### 2 Recommendations

2.1 Members are invited to:

- I. **NOTE** the update on the 2022-23 Caithness HRA Capital Programme at section 5 of the report.
- II. **NOTE** the resources available to Caithness at 6.7
- III. **AGREE** the proposed investment priorities in the HRA Capital Programme for Caithness 2023-27 as set out in **Appendix 1**.
- IV. **NOTE** that updates on the Housing Revenue Account Capital Programme will continue to be provided through ward briefings and at future Local Committees as requested by local Members, in addition to reporting to Housing and Property Committee.

### 3 Implications

3.1 **Resource** - is discussed in the report.

3.2 **Legal** - there are no specific legal implications arising from this report.

3.3 **Community (Equality, Poverty and Rural)** - there are no specific implications arising from this report.

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 regular review and any risks identified to future Committee.

3.6 **Gaelic** - there are no implications arising as a direct result of this report.

## **4 Background**

4.1 The 2022-2027 HRA capital plan was approved by Members of the Housing and Property Committee on 15 December 2021. The plan set out the 5-year planned investment on HRA housing stock across Highland.

4.2 This report provides an update on the current year (22-23) HRA Capital Programme for Caithness and outlines the planned programme for 2023-27.

## **5 2022-23 Caithness HRA Capital Programme Update**

5.1 Progress against the mainstream HRA programme has been affected by the long-term impact of the Covid-19 restrictions that suspended all capital works in Council housing until the lifting of restrictions in April 2021.

5.2 As reported to Highland Council on 27 October 2022, the construction industry at both a Highland and at a national level continues to experience labour and materials shortages. These issues are causing longer lead-in times, higher prices, and price volatility. However, works have been progressing well on site across Highland over recent months and all previously committed to works will be completed.

5.3 Previous discussion with Members had indicated a need to consider utilising environmental capital resource in flexible ways to meet the needs of the local area. The environmental capital resource was increased within the 2021-22 programme and used to support additional spend on local area priorities as identified through consultation with tenants. Surveys indicated a priority around windows and doors replacements, with additional windows and doors replacements included within the programme. The principle of increased spend on windows and doors replacements is continued within the recommended 2023-27 programme.

5.4 Q3 outturns for the HRA Capital Programme are being reported to Housing and Property Committee on 26 January 2023.

## **6 Development of the HRA Capital Programme 2023-27**

6.1 The proposed Caithness HRA Capital programme 2023-27 at **Appendix 1** has been developed in line with the agreed principles within the 2022-2027 HRA capital plan approved at Housing and Property Committee on 15 December 2021.

6.2 The guideline principles within the 2022-2027 HRA Capital Plan were as follows:

- 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 new Energy Efficiency Standard for Social Housing (EESH). It is expected that the EESH programme will be based on generic measures to certain house types rather than specific measures based on individual property energy efficiency assessments;
- an allowance for structural work to roofs, chimneys and external fabric of properties;
- an allowance for environmental improvement works
- continued funding of equipment and adaptations to allow disabled and elderly tenants to remain in their current tenancy.

6.3 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 undertook 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).

6.5 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.

6.6 The HRA Capital Plan for 2022-2027 used this method to assess a level of expenditure required for our housing stock, disaggregated to an area level.

6.7 This has identified the following budget for the Caithness HRA Capital Programme for 2023-2027:

Table 1: Caithness 2023-2027 HRA Capital Programme Resources

<b>Year</b>	<b>Mainstream Investment £'000</b>	<b>Aids and Adaptations £'000</b>	<b>Total £'000</b>
2023/24	695	37	732
2024/25	721	37	758
2025/26	746	37	783
2026/27	768	37	805

6.8 This funding is based on a number of assumptions including estimated capital borrowing costs. Loan Charges for all borrowing used to fund HRA capital investment are funded through HRA Revenue.

6.9 We will continue to produce detailed revenue estimates and update projections annually.

6.10 A key feature of developing the programme for 2023-27 has been identifying individual area priorities through discussion with Members, local maintenance teams and tenants, in addition to analysis of stock data and information. Priorities have been identified for the Caithness area at a local level, with the projects defined within the programme aimed at meeting the locally identified priorities.

- 6.11 Members will note that the proposed Caithness HRA Capital Programme for 2023-27 identifies and recommends a key priority of investment in energy efficiency works on our housing stock. This reflects the strategic commitment towards increased spend on heating/energy efficiency measures to assist with improving the energy efficiency of the housing stock.
- 6.12 It is recommended to include the second phase of further connections to the district heating scheme in Wick within year one of the 23-27 programme. Members have been updated at ward business meetings on the benefits to tenants of being connected to the scheme.
- 6.13 The Scottish Government has committed to a review of ESSH2 in response to national concerns as to the affordability and deliverability of energy works during a time of increasing market and construction and energy industry uncertainty. Recommendations on our approach to improving the energy efficiency of our stock will be submitted to a future Housing and Property Committee. The Council's Climate Change Committee will also be reviewing our net zero commitments which may impact on future capital programming and policy.
- 6.13 Members will continue to be updated on progress against the current year programme through ward business meeting updates and committee reports on request.

Designation: Executive Chief Officer Housing and Property

Date: 25 January 2023

Author: Jonathan Henderson, Housing Investment Officer

**Appendix 1**

Caithness HRA Capital Programme 23-27	2023/24	2024/25	2025/26	2026/27	Total	Comments	
<b>Equipment and adaptations</b>							
Equipment and adaptations Caithness	£134,000	£134,000	£134,000	£134,000	£536,000	Works carried out on demand following referrals from Occupational Therapists.	
<b>Equipment and adaptations Caithness Total</b>	<b>£134,000</b>	<b>£134,000</b>	<b>£134,000</b>	<b>£134,000</b>	<b>£536,000</b>		
<b>Major Component Replacement</b>							<b>Comments</b>
Kitchen and bathroom replacements	£200,000	£200,000	£200,000	£200,000	£800,000	Kitchen and bathrooms replacements identified through interrogation of system data and inspection by local maintenance officer. Works delivered through local team.	
Rewiring programme	£100,000	£125,000	£150,000	£175,000	£550,000	Rewiring programme identified through interrogation of cyclical electrical check information.	
<b>Major Component Replacement Total</b>	<b>£300,000</b>	<b>£325,000</b>	<b>£350,000</b>	<b>£375,000</b>	<b>£1,350,000</b>		
<b>Heating/energy efficiency works</b>							<b>Comments</b>
Heating and energy efficiency works Caithness	£650,000	£750,000	£800,000	£850,000	£3,050,000	Heating and energy efficiency works programme, focussing on oldest and most inefficient heating systems in Caithness. Feasibility of solar PV and battery storage considered for inclusion at point of survey	

One-off heating replacements	£250,000	£260,000	£270,000	£280,000	£1,060,000	One-off heating replacements, carried out on demand through local team.
District heating scheme connection programme	£500,000	-	-	-	£500,000	Phase 2 district heating scheme connections.
Insulation and roofing works	£250,000	£300,000	£350,000	£400,000	£1,250,000	External insulation and roofing works identified through integration of systems information and inspections by local maintenance officers
Windows and doors replacements	£250,000	£300,000	£350,000	£400,000	£1,300,000	Windows and doors programme identified through interrogation of system data and inspections by local maintenance officers.
One-off windows and doors replacements	£50,000	£60,000	£70,000	£80,000	£260,000	One-off windows and doors replacements, identified and carried out on demand through local team.
<b>Heating/energy efficiency works Total</b>	<b>£1,900,000</b>	<b>£1,670,000</b>	<b>£1,840,000</b>	<b>£2,010,000</b>	<b>£7,420,000</b>	
External Fabric (major component replacement)						Comments
External Fabric works	£100,000	£100,000	£100,000	£100,000	£400,000	External fabric works identified on demand by local maintenance officers.
<b>External Fabric works Total</b>	<b>£100,000</b>	<b>£100,000</b>	<b>£100,000</b>	<b>£100,000</b>	<b>£400,000</b>	
External fabric (environmental improvements)						Comments
Environmental improvements ward 2	£52,439	£54,390	£56,377	£57,900	£221,107	Member led budget. Priority environmental capital projects identified through engagement with local team

Environmental improvements ward 3	£75,495	£78,304	£81,164	£83,356	£318,320	Member led budget. Priority environmental capital projects identified through engagement with local team
<b>Environmental improvements Total</b>	<b>£127,934</b>	<b>£132,694</b>	<b>£137,542</b>	<b>£141,256</b>	<b>£539,426</b>	
<b>Contingencies</b>	<b>£255,868</b>	<b>£265,388</b>	<b>£275,083</b>	<b>£282,760</b>	<b>£1,079,100</b>	Contingency to support unplanned spend.

Mainstream Total	£2,683,802	£2,493,083	£2,702,625	£2,909,016	£10,788,526
Aids & Adaptations	£134,000	£134,000	£134,000	£134,000	£536,000
<b>Total</b>	<b>£2,817,802</b>	<b>£2,627,083</b>	<b>£2,836,625</b>	<b>£3,043,016</b>	<b>£11,324,526</b>