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| Agenda Item | 4 |
| Report No | ERA/18/23 |

HIGHLAND COUNCIL

Committee: Easter Ross Committee

Date: 22/05/2023

Report Title: Easter Ross HRA Capital Programme Update and 23-27 Programme

Report By: Executive Chief Officer Housing and Property

1 Purpose/Executive Summary

1.1 This report provides an update on the HRA Capital Programme and outlines the proposed investment priorities for 2023-27.

2 Recommendations

2.1 Members are invited to:

- I. **Note** the summary update on the HRA Capital Programme at section 5 of the report.
- II. **Note** the HRA Capital resources identified for Easter Ross area at 6.7
- III. **Agree** the proposed investment priorities in the HRA Capital Programme for Easter Ross 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 15th 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 HRA Capital Programme and outlines the recommended priorities for the Easter Ross area for 2023-27.

5 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 Housing and Property Committee 10 Aug 2023, 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. The unprecedented uncertainty regarding materials, coupled with ongoing resourcing issues, has been demonstrated by higher than budgeted prices on returned tenders.
- 5.3 The above issues are likely to result in ongoing challenges to deliver projects on time and within budget. The Council remains committed to carrying out the agreed programme and contractual discussions are ongoing to accelerate works where possible.
- 5.4 Quarter 1 outturns for the HRA Capital Programme were reported to Housing and Property Committee on 10 Aug 2023.
- 5.5 Members will be provided with an update to a future area business meeting on specific project details, along with updates on project progress.

6 Development of the HRA Capital Programme 2023-27

- 6.1 The proposed Easter Ross 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 15th 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 (ESSH). It is expected that the ESSH 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).

6.4 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.

6.5 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.

6.6 This has identified the following budget for the Easter Ross HRA Capital Programme for 2023-2027:

Table 1: Easter Ross 2023-2027 HRA Capital Programme Resources

| Year | Mainstream Investment £'000 | Aids and Adaptations £'000 | Total £'000 |
|-------------|--|---------------------------------------|------------------------|
| 2023/24 | 2,636 | 108 | 2,744 |
| 2024/25 | 2,734 | 108 | 2,842 |
| 2025/26 | 2,828 | 108 | 2,936 |
| 2026/27 | 2,910 | 108 | 3,018 |

6.7 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. The Housing and Property committee on 26th Jan 2023, agreed that a review of the current HRA Capital Plan be undertaken this year to assess the affordability of the current plan and whether the investment levels are sustainable. This review is underway and it is likely that a revised Capital Plan may be returned to strategic committee in 24/25.

- 6.8 A key feature of developing the programme for 2023-27 has been identifying individual area priorities through discussion local maintenance teams and tenants, in addition to analysis of stock data and information. Priorities have been identified for the Easter Ross area at a local level, with the projects defined within the programme aimed at meeting the locally identified priorities.
- 6.9 Members will note that the proposed Easter Ross 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.
- 6.10 The Scottish Government has committed to a review of EESSH2 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.
- 6.11 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: 17th October 2023

Author: Rory MacLeod, Service Lead Housing Investment and Building Maintenance

Appendix 1

Easter Ross HRA Capital Programme 23-27

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | | |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|---|
| Equipment and adaptations | | | | | Total | Comments |
| Equipment and adaptations Easter Ross | £108,000 | £108,000 | £108,000 | £108,000 | £432,000 | Works on demand following referrals from Occupational Therapists |
| Equipment and adaptations Total | £108,000 | £108,000 | £108,000 | £108,000 | £432,000 | |
| Major Component Replacement | | | | | | |
| Kitchen & bathrooms replacements | £200,000 | £200,000 | £200,000 | £200,000 | £800,000 | Kitchen and bathrooms carried out on demand through local team, following inspections by Maintenance Officers |
| Rewiring | £100,000 | £100,000 | £100,000 | £100,000 | £400,000 | Rewiring programme identified through interrogation of cyclical electrical check information |
| Major Component Replacement Total | £300,000 | £300,000 | £300,000 | £300,000 | £1,200,000 | |
| Heating/energy efficiency works | | | | | | |
| Heating and energy efficiency works Easter Ross | £1,300,000 | £1,400,000 | £1,500,000 | £1,600,000 | £5,800,000 | 4 year energy efficiency works programme to focus on E, F and G rated properties along with replacement of oldest inefficient heating systems, insulation works, solar PV and battery installations |
| One-off heating replacements | £100,000 | £100,000 | £100,000 | £100,000 | £400,000 | One-off heating replacements due to system failures, undertaken through local team. |
| Windows and doors replacements | £200,000 | £200,000 | £200,000 | £200,000 | £800,000 | Windows and doors replacement programme Easter Ross |

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|--|
| One-off Windows and doors/external fabric replacements | £50,000 | £50,000 | £50,000 | £50,000 | £200,000 | One-off windows and doors replacements |
| Heating/energy efficiency works Total | £1,650,000 | £1,750,000 | £1,850,000 | £1,950,000 | £7,200,000 | |
| External Fabric (major component replacement) | | | | | | Comments |
| Roofing works | £290,412 | £273,771 | £253,871 | £223,712 | £1,041,766 | Roofing works Easter Ross, age and condition of roofing identified through inspections by Maintenance Officers |
| External Fabric works Total | £290,412 | £273,771 | £253,871 | £223,712 | £1,041,766 | |
| External fabric (environmental improvements) | | | | | | Comments |
| Environmental improvements Ward 6 | £90,813 | £94,192 | £97,439 | £100,270 | £382,713 | Member led budget. Priority environmental capital projects identified through engagement with local team |
| Environmental improvements Ward 7 | £40,976 | £42,500 | £43,965 | £45,243 | £172,685 | |
| Environmental improvements Total | £131,789 | £136,692 | £141,404 | £145,512 | £555,398 | |
| | | | | | | |
| Contingencies | £263,578 | £273,385 | £282,808 | £291,025 | £1,110,796 | Contingency fund to support any unplanned spend |
| | | | | | | |
| Total Aids and Adaptations | £108,000 | £108,000 | £108,000 | £108,000 | £432,000 | |
| Total mainstream budget | £2,635,779 | £2,733,848 | £2,828,084 | £2,910,249 | £11,107,960 | |
| Overall programme total | £2,743,779 | £2,841,848 | £2,936,084 | £3,018,249 | £11,539,960 | |