

## The Moray Council

### Draft Housing Investment Plan 2019/20

#### 1. Introduction

- 1.1 In February 2003, the Council agreed an Investment Strategy for its housing stock. Since then, the strategy has been updated annually, as part of the HRA budget process.
- 1.2 The main focus of the investment strategy over recent years has been to bring all of the Council's housing stock up to the Scottish Housing Quality Standard (SHQS) by 31 March 2015. With the exception of allowable exemptions and abeyances, the Council generally achieved this. Resources will be included within investment plans to ensure that the housing stock continues to meet the SHQS standard.
- 1.3 The Energy Efficiency Standard for Social Housing (ESSH) was introduced by the Scottish Government in 2015 following a period of consultation and replaced the energy efficiency criteria of the Scottish Housing Quality Standard (SHQS). The standard sets a minimum Energy Efficiency (EE) rating for landlords to achieve by 31 December 2020 that varies dependent upon the dwelling type and the main heating fuel.
- 1.4 The Moray Housing Standard (MHS) is a locally agreed standard and was adopted by the Council as part of an options appraisal completed in 2001. The MHS in some parts is a higher standard of provision than is required within the SHQS and mainly relates to enhanced electrical provision within the property, increased levels of loft insulation and higher kitchen unit and workspace provision. It is currently projected that all council properties allowing for a small number of exceptions will meet the MHS by 31 March 2019.
- 1.5 During 2018, the Council commissioned a survey of tenants to gather their views on the housing services they receive. Respondents were asked as part of this survey to rate which improvements they would like to see the Council make to their homes. The level expenditure in the areas highlighted by Tenants have been reviewed and increased where considered appropriate.
- 1.6 The Housing Investment strategy considers all of the above priorities in more detail in the relevant sections below.

#### 2. Investment Requirements

- 2.1 The detailed investment requirements for the Council's housing stock have been developed in order to meet the statutory requirements to maintain the stock at the SHQS, as far as practicable to attain the Energy Efficiency Standard for Social Housing (ESSH) and consider tenants view expressed in the Tenant Survey. Investment resources are also allocated to seek the attainment of the local Moray Housing Standard (MHS).
- 2.2 The Council is also required to provide resources for response repairs, cyclic maintenance and estates improvements, and these also form part of the

Investment Strategy. The Council has also identified the need for ongoing investment to fund adaptations for disabilities and enabling works with this section of the budget being managed on a day to day basis by the Integration Joint Board (IJB).

### 3. Progress in achieving the SHQS and Moray Housing Standard

- 3.1 Performance against both the SHQS and the MHS is reported within the regular Housing Performance Report presented to Communities Committee.
- 3.2 As at 31 March 2018, it was thought that all Council properties within scope of the SHQS continued to meet the standard, taking into account allowable exemptions and abeyances. However during work carried out as part of an audit process for the submission of the 2017/18 Annual Report to the Scottish Housing Regulator it was discovered that an additional 204 properties were found to be failing the energy related part of the standard. It was considered that 50 of these properties could be considered legitimate exemptions on cost/technical grounds resulting in 154 properties requiring further improvements.
- 3.3 Work to 121 properties has been now been instructed to contractors for completion as part of the 2018/19 Housing Investment Programme. The balance of works to the remaining 33 properties are proposed to be carried out in 2019/20 in conjunction with similar EESSH related improvement works.
- 3.4 The table below shows the numbers of properties identified as failing the SHQS in 2005, the final figures submitted as at 31 March 2015 and the current position. A reduction of 5052 failures was reported initially to the end of the 2015 reporting period, however this requires to be adjusted due to the recently discovered failures and reduced to 4898. It should be noted that an individual property may fail on more than one SHQS criteria.

Quality criteria	SHQS Element	Number of properties failing the SHQS as at 31 March 2005	Number of properties failing the SHQS as at March 2015	Number of properties failing the SHQS as December 2018
<b>Tolerable Standard</b>	Tolerable standard	0	0	0
<b>Serious Disrepair</b>	Primary element repair	374	0	0
	Secondary element repair	397	0	0
<b>Energy Efficiency</b>	Cavity insulation	0	0	0
	Roofspace insulation	0	0	0
	Tank & pipe insulation	0	0	0
	Central heating provision	56	0	0
	NHER rating	844	442*	448**
<b>Amenity &amp; comfort</b>	Bathroom condition	0	0	0
	Kitchen condition	0	0	0
	Kitchen storage	371	0	0
	Kitchen safety	199	0	0
	Kitchen sockets	1769	0	0

Quality criteria	SHQS Element	Number of properties failing the SHQS as at 31 March 2005	Number of properties failing the SHQS as at March 2015	Number of properties failing the SHQS as December 2018	
<b>Healthy, Safe &amp; Secure</b>	Lead free pipework	0	0	0	
	Mechanical ventilation	60	0	0	
	Noise insulation	0	0	0	
	Smoke detectors	0	0	0	
	Electrical systems	0	0	0	
	Gas systems	0	0	0	
	Common access	199	0	0	
	Common lighting	305	0	0	
	Access doors	574	0	0	
	Door entry systems	97	8***	4***	
	Common rear access doors	103	0	0	
	<b>Total Property Failings</b>		<b>5,348</b>	<b>450</b>	<b>452</b>

\* 191 NHER exemptions and 97 abeyances (temporary exemptions) and 154 additionally identified failures

\*\* 227 NHER exemptions, 67 abeyances (temporary exemptions) and 154 current failures being progressed

\*\*\* Abeyances (temporary exemptions)

3.5 The table below shows the level of compliance against the main MHS criteria as at 31 December 2018.

Moray Housing Standard Criteria	% compliance as at 2004	% compliance as at 31 December 2018
Safety and Security	7.50	99.29
Energy Efficiency	37.20	99.61
Amenity and Comfort	0	99.67
Structure and Fabric	79.30	100
External Environment	76.20	100
<b>Overall Compliance</b>	<b>N/A</b>	<b>98.57</b>

Good progress has been made on achievement of MHS to date. A proportion of stock still needs to attain the Moray Housing Standard this financial year with stock condition database updated with information received on completion of 2018/19 contracts and other improvement works on an ongoing basis. It is currently envisaged that the target of full compliance at the end of 2018/19 will be able to be met as far as reasonably practicable.

#### 4. The Energy Efficiency Standard for Social Housing (EESH)

4.1 The Energy Efficiency Standard for Social Housing (EESH) was introduced by the Scottish Government in 2015 following a period of consultation and replaced the energy efficiency criteria of the Scottish Housing Quality Standard (SHQS).

- 4.2 As part of the annual submission of its landlord performance for 2017/18 to the Scottish Housing Regulator, additional scrutiny of the EESSH programme was undertaken and established that the National Homes Energy Ratings (NHER) data provided as part of the 2006 House Condition Survey was substantially incorrect and the Council's initial base position on EESSH compliance had been overstated.
- 4.3 A detailed report was submitted to the Communities Committee 12 December 2017 and a separate programme of works developed to exclusively meet EESSH. Although separate to the Housing Investment Programme there was some overlap as the Investment Programme already included a range of similar energy efficiency improvement works.
- 4.4 Following updated guidance from the Scottish Government giving scope to Councils to look at the cost of measures, payback periods and the application of new technologies in their approach to EESSH a further report was submitted to the Communities Committee on 1 May 2018 outlining a revised programme.
- 4.5 Under the revised programme a total of 905 properties (reduced from 2834) require to be improved up to December 2020 with 305 properties being targeted for improvement in 2018/19, 384 properties in 2019/20 and the remaining 216 properties during 2020/21. The scope of works were reappraised in terms of physical works and re-costed based on Energy Performance Certificate (EPC) 'recommended measures' information. These additional financial requirements total £2.767m over and above the £3.5m originally estimated to meet EESSH and already incorporated within the Housing Investment Strategy.
- 4.6 The table below provides details of the revised programme of EESSH works and the estimated cost involved in delivering this programme.

<b>Workstream/ Year</b>	<b>2018/19 (currently in progress)</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
Cavity Wall Insulation	£271,580	£271,580	£135,790	£678,950
Flat Roof Replacement	£0	£18,000	£0	£18,000
New Boiler Room in Roof	£593,600	£593,600	£296,800	£1,484,000
Insulation Replacement	£0	£78,300	£0	£78,300
Glazing Solar Water Heating	£0	£0	£52,000	£52,000
	£0	£228,000	£228,000	£456,000
<b>Grand Total</b>	<b>£865,180</b>	<b>£1,189,480</b>	<b>£712,590</b>	<b>£2,767,250</b>

- 4.7 To ensure that this programme is delivered without impacting on other current investment priorities, procurement of this work has in the main been carried out through existing national frameworks using external contractors. This will be a one off programme being delivered over 2 full financial year periods, 2018/19 and 2019/20, and financial year 2020/21 up to and including December 2020.

## 5. Investment Proposals 2019/20

The Council's Investment proposals for 2019/20 therefore reflects the key elements of –

- Response and void repairs
- Estate Works
- Cyclic Maintenance
- Planned Maintenance (SHQS, EESSH and Moray Standard)
- EESSH Programme
- Other Investment

### 5.1 Response and void repairs

5.1.1 This relates to reactive maintenance to houses and garages as well as repairs to empty houses. The service provided is detailed within the Council's Response Repairs Policy and Void Management Policy.

5.1.2 The response repairs budget is currently projected to outturn around £250k over the allocated budget for 2018/19 in the main due to expenditure on void house repairs. Officers are currently reviewing a number of areas within the void expenditure to date to identify any underlying issues.

5.1.3 With stock numbers continue to increase through the new build programme an initial overall budgetary increase of 3% for inflation on repairs and voids is sought for 2019/20. Any proposed changes to this budget in view of the ongoing review of voids expenditure referred to above will be submitted to Communities Committee for approval. Following Officer discussions it is also considered that the current allowance for gas heating repairs within the Gas Servicing Budget should more appropriately be included within the Response Repairs budget area. This is balanced out by a reduction in the Gas Servicing Budget within Planned Maintenance as noted in subsequent sections.

5.1.4 The Investment Strategy for 2019/20 therefore proposes that funding for responsive repairs and voids would be as shown in the table below:-

<b>Response Repairs</b>	<b>Investment 2018/19 £'000</b>	<b>Proposed 2019/20 £'000</b>
Response Repairs	1,960	2,019
Void Repairs	1,332	1,372
Gas Heating Repairs		560
<b>Total</b>	<b>3,292</b>	<b>3,951</b>

### 5.2 Estate Improvements

5.2.1 Estates Improvement work relates to work carried out under estates upgradings, within which there is an allowance for items identified by the Area Housing Teams and the Moray Forum, garage upgrades, asbestos removals and a range of other miscellaneous or unplanned works of an emergency nature.

- 5.2.2 Ongoing surveys within the housing stock continue to identify the presence of asbestos insulated water tanks, debris and other asbestos materials (ACM's) which require to be removed or dealt with prior to any upgrading works. A 3% budgetary increase for inflation is sought in order to fund these works on a phased longer term basis.
- 5.2.3 In relation to the new build programme there is ongoing requirement to maintain increasing areas of grassed and landscaped areas within these areas of new housing. An increase of £10k to £35k is sought for this budget for 2019/20 in order to fund these works.
- 5.2.4 It is proposed that the Estates/Forum budgets for 2019/20 is increased for 3% inflation and that the Garage Upgrades and Miscellaneous Budgets be reduced to £25k and £75k respectively due to less demand on these budget areas.
- 5.2.5 Investment of £651k is therefore proposed for Estates type work in 2019/20 and as shown in the table below:-

<b>Estate Improvements</b>	<b>Investment 2018/19 £'000</b>	<b>Proposed 2019/20 £'000</b>
Garage upgrades	50	25
Asbestos	250	258
Estates upgrades	250	258
Landscaping Maintenance	25	35
Miscellaneous	100	75
<b>Total</b>	<b>675</b>	<b>651</b>

### **5.3 Cyclic Maintenance**

- 5.3.1 Cyclic Maintenance includes the regular servicing and maintenance works carried out to houses and related assets. This includes servicing of heating appliances, smoke alarms, CO detectors, fans, external paintwork etc..
- 5.3.2 In general an inflationary uplift of 3% is sought for cyclic budgets apart from Smoke Detector Servicing and Gas Servicing. An increase in the smoke detector budget is sought in order to deal with increased unit costs of the detectors and continue with ongoing replacements of out-of-date detectors. This increased budget will also allow scope to carry out upgrades in order meet new legislation that is to be introduced in 2021 to improve fire safety. The final details of this legislation are still to be announced however it is likely that all detectors (smoke, heat and CO) within a property will require to be interlinked. It is proposed that the Gas Servicing Budget be reduced by the re-allocation of £560k of expenditure to the Response Repairs Budget to more appropriately cover gas heating repairs as noted in the section relating to Response Repairs. In addition a further reduction is suggested to be made to the balance of the budget for gas servicing with a proposal to move away from an annual full service of certain types of gas appliances to carrying out a less onerous gas safety check in compliance with current legislation. The balance of budget allowing for these reductions is proposed to be increased by 3% for inflation. Some type of installation, mainly open flued appliances will still

require a full service, although this is likely to reduce over time as more of these systems are replaced with more modern wall hang balanced-flue boilers.

5.3.3 The last full House Condition Survey that was carried out on HRA stock was in 2005 for the purposes of preparing for introduction of the Housing Quality Standard (SHQS). This survey involved a 100% survey of the external fabric of properties alongside a 20% internal survey based on house types. Since then data has been updated following works carried out through the Housing Investment Strategy however there have been some issues with the method of recording the data and the ease of reporting. The introduction of the Energy Efficiency Standard for Social Housing (ESSH) in 2015 has also highlighted a number of areas where information held in respect of the energy efficiency profile of the stock has also been found to be inaccurate. It is recommended that a full House condition survey be carried out in 2019/20 to provide robust information to confirm the current general condition of the stock and allow more accurate programmes of improvement to be considered both in terms of general maintenance and the forthcoming ESSH2 legislation. The cost of a full house condition survey is likely to be in the region of £120k and this has been included in the allowance for Inspection, Surveys and EPC budget within the proposed Housing Investment Strategy for 2019/20.

5.3.4 The budget for Cyclic Maintenance reflected in the Housing Revenue Account proposals for 2019/20 is therefore shown below :-

<b>Cyclical Maintenance</b>	<b>Investment 2018/19 £m</b>	<b>Proposed 2019/20 £m</b>
Gas Servicing	803	213
Solid Fuel Servicing	40	41
Air Source Heat Pump Servicing	80	82
Smoke Detector Servicing	100	120
Pre Paint Repairs and External Painterwork	266	271
General Servicing	85	88
Inspections, Survey EPC's	25	140
<b>Total Cyclic Maintenance</b>	<b>1,399</b>	<b>955</b>

## **5.4 Planned Maintenance and Improvements**

5.4.1 Planned Maintenance and Improvement refers to works to maintain the stock at the Scottish Housing Quality Standard, bring properties up to the Moray Housing Standard and achieve the ESSH.

5.4.2 The review of the Housing Business Plan in 2016 allows for major component replacement costs of approximately £1.4m per year. These costs mainly relate to doors, windows and roof and fabric renewals. The Investment Strategy agreed in February 2007 proposed that for 2007/08 and beyond, investment in the planned maintenance/improvement of the Council's housing stock should be around £4.4m (excluding yearly inflation increases) in order to maintain the stock at SHQS levels. As noted in section 4.8 above there is also funding required to achieve ESSH and this has been incorporated within the overall programme.

- 5.4.3 It is proposed that the level of provision for heating replacements is increased to £2.527m in 2019/20 to provide resources to replace the most inefficient heating systems on a planned lifecycle basis of 15 years for boilers and 30 years for the distribution pipework and radiators. These works will also contribute towards achieving EESSH and also include the installation of renewable systems which are more likely to be required under EESSH2. The plumbing upgrade budget is proposed to be increased to £200k and will be used to fund minor heating upgrades for replacement of boilers only and the installation of associated heating controls. Both these budget areas will assist with progress towards EESSH.
- 5.4.4 The window replacement budget is proposed to remain around current levels at £793k to provide resources for ongoing replacement programme based on a 30 year window lifecycle and to meet the tenant aspirations which were expressed in the 2018 Tenant Survey.
- 5.4.5 The kitchen and bathroom replacement programme has historically been to be one of the highest funded areas of expenditure within the Housing Investment Plan and was reduced in the previous financial year due to increased number of kitchens requiring only 'minor works'. After a further review of the scope of works being carried out under this budget it is still the case that increasing numbers of kitchens are in good condition and only require 'minor works' such as replacement of individual bathroom fittings, replacement extract fans etc. It is proposed therefore to reduce expenditure to £1.375m to replace or partially upgrade around 250 kitchens and bathrooms annually based on a 25 year lifecycle. These replacement works will also go some way towards meeting tenant aspirations expressed in the 2018 Tenant Survey.
- 5.4.6 Any minor revisions for carry forward from 2018/19 would be incorporated within specific budgets if required, as they have been in previous financial years. All of the above proposals would therefore result in investment in Planned Maintenance and Improvements in 2018/19 of £6.633m, allowing for an inflationary uplift where noted:-

<b>Planned Maintenance and Improvements</b>	<b>Works to be undertaken</b>	<b>Proposed 2018/19 £'000</b>	<b>Proposed 2019/20 £'000</b>	<b>Rev/Cap</b>
<b>Serious Disrepair</b>	Roof & Fabric Rainwater goods	250 200	225 200	Revenue Revenue
<b>Energy Efficiency</b>	Central Heating Insulation EESSH	1,850 200 1,860	2,527 200 1,189	Capital Revenue Capital
<b>Modern Facilities</b>	Kitchen replacements Plumbing Upgrades Shower Installations	1,200 100 50	1,375 200 50	Capital Revenue Revenue
<b>Healthy, Safe, and Secure</b>	Electrical upgrades Doors and Windows Safety & Security Common Stairs Sheltered Housing	100 788 25 25 10	150 793 20 20 10	Revenue Capital Revenue Revenue Revenue
<b>Total Planned</b>		<b>6,658</b>	<b>6,959</b>	

5.4.7 The table detailed in paragraph 4.8 shows the current three-year programme of investment with EESSH funding ending in financial year 2020/21.

## 5.5 Other Investment

5.5.1 The Council also makes financial provision for the adaptation of its properties to meet disability needs. In recent years, demand on this budget has reduced due to a higher number of adapted properties being available for rent both through previous adaptation works and also adapted houses being provided through the new build programme. It is proposed to retain this budget at £350k for 2019/20.

5.5.2 The Council also makes financial provision for its enabling role within this budget. It is proposed that the provision within the Investment Strategy remains at £10k for 2018/19.

## 5.6 Summary of Investment Proposed

5.6.1 The investment proposals reflected in the Housing Investment Plan for 2019/20 broadly reflect the latest Housing Business Plan, which envisages investment of around £8m (exclusive on any inflationary), plus an allowance for EESSH improvements to the Council's housing stock and other investment in affordable housing and adaptations.

5.6.2 The investment proposals and target number of properties/installations etc. for 2019/20 to 2021/22 can be summarised as shown below, including annual uplifts for inflation where appropriate :-

Investment Heading	Programme	2019/20 £'000	Target No's 2019/20	2010/21 £'000	2021/22 £'000
<b>Response and Void repairs</b>	Response Repairs	2,019	16924	2,080	2,142
	Void House Repairs	1,372	400	1,413	1,456
	Gas Heating Repairs	560	3361	577	594
	<b>Total Response</b>	<b>3,951</b>		<b>4,070</b>	<b>4,192</b>
<b>Estate Works</b>	Garage Upgrades	25	-	26	27
	Asbestos	258	-	266	274
	Estates/Forum Budget	258	-	266	274
	Landscape Maintenance	35	-	36	37
	Miscellaneous	75	-	77	80
	<b>Total: Estate Works</b>	<b>651</b>		<b>671</b>	<b>692</b>
<b>Cyclic Maintenance</b>	Gas Servicing/Safety	213	5150	219	226
	Solid Fuel Servicing	41	260	42	43
	ASHP Servicing	82	272	84	87
	Smoke Alarm Servicing	120	3000	124	127
	PPR/Painterwork	271	600	279	288
	General Servicing	88	-	91	93
	House Condition survey	140	-	25	26
	<b>Total: Cyclic Works</b>	<b>955</b>		<b>864</b>	<b>890</b>

<b>Investment Heading</b>	<b>Programme</b>	<b>2019/20 £'000</b>	<b>Target No's 2019/20</b>	<b>2010/21 £'000</b>	<b>2021/22 £'000</b>
<b>Planned Maintenance</b>	Roof and Fabric Repairs	225	-	232	239
	Rainwater goods	200	-	206	212
	Central Heating	2,527	450	2,603	2,681
	Insulation	200	-	206	212
	ESSH	1,189		713	1,000
	Kitchen Replacements	1,375	250	1,416	1,459
	Plumbing Upgrades	200	100	206	206
	Electrical Upgrades	150	50	155	159
	Doors and Windows	793		817	841
	Safety & Security	20	-	21	21
	Common Stairs	20	-	21	21
	Shower Installations	50	20	52	53
	Sheltered housing	10	-	10	11
		<b>Total: Planned</b>	<b>6,959</b>		<b>6,658</b>
<b>Other investment</b>	Adaptations	350	50	361	371
	Enabling Budget	10	-	10	11
		<b>Total: Other</b>	<b>360</b>		<b>371</b>
<b>Proposed Investment</b>		<b>12,876</b>		<b>12,634</b>	<b>13,271</b>

## 6. Funding Proposals

- 6.1 Funding for Response and Void Repairs, Estates Improvements and Cyclic Maintenance has been reflected within the Housing Revenue Account Budget for 2019/20 which was approved at Full Council on 27 February 2019.
- 6.2 Housing Business Plan (2016) proposed that planned expenditure would be met from available revenue resources, after allowing for a minimum surplus of £0.750 million on the HRA as a cushion for unexpected expenditure/variations in the year. Bearing in mind guidance regarding what works would be more appropriately deemed as 'capital' expenditure, expenditure on window/doors, kitchens and bathrooms, and heating improvements are treated as capital expenditure. Capital from Current Revenue (CFCR) also contributes to the funding of Planned Capital works from the Housing Revenue Account, with prudential borrowing meeting any further capital expenditure required. Other revenue planned works (roofs, rainwater goods, plumbing upgrades etc.) are funded from the Housing Revenue Account.
- 6.3 Capital expenditure proposed for 2019/20 to 2021/22 can be summarised as:-

<b>Investment</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Doors and Windows	793	817	841
Central Heating	2,527	2,603	2,681
EESH	1,189	713	1,000
Kitchen Replacements	1,375	1,416	1,459
Disabled adaptations	350	361	371
Council House New Build	17,131	16,392	6,302
<b>Total Capital Investment</b>	<b>23,365</b>	<b>22,302</b>	<b>12,654</b>

- 6.4 For the same period, capital funding is projected at:-

<b>Projected income</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
CFCR	3,705	3,677	3,881
Prudential Borrowing	12,237	10,932	8,248
Scottish Government Grant	6,898	7,168	0
Council Tax Discount on 2 <sup>nd</sup> homes	525	525	525
<b>Total</b>	<b>23,365</b>	<b>22,302</b>	<b>12,654</b>