

**The Moray Council**

**Draft Housing Investment Plan 2010/11**

**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 In common with all local authorities in Scotland, the Council was required to prepare a Standard Delivery Plan by April 2005. The purpose of the Plan was to demonstrate how the Council would achieve the Scottish Housing Quality Standard for its housing stock by 2015. The Delivery Plan was therefore supported by a Housing Business Plan which demonstrated that the Council could fund the necessary works whilst maintaining a positive balance on the Housing Revenue Account and keeping rent increases to inflation plus 1% for 26 years of the 30 year plan, with inflation plus 1.5% being required for 4 years. The Council's Plan was submitted to Communities Scotland for assessment in April 2005. The Council's Delivery Plan was accepted by Communities Scotland in 2006.
- 1.3 The Standard Delivery Plan recognised that the Council would need to adjust its future investment programmes to ensure the delivery of the Scottish Housing Quality Standard and the Moray Housing Standard.

**2. Investment Requirements**

- 2.1 The detailed investment requirements for the Council's housing stock are identified in the Stock Condition Survey, the Housing Business Plan and the Council's Standard Delivery Plan. In broad summary, the Standard Delivery Plan of April 2005 identified that –
  - all the Council's housing stock was above the tolerable standard
  - 10.3% (678 properties) failed the standard in relation to primary or secondary building elements. Primary element failure related principally to external wall structures. The main secondary element failures related to chimney stacks, external wall finishes, windows and access doors, and damp-proofing
  - 87% of properties met the energy efficiency requirements of the Standard. 13% (857 properties) were non compliant
  - 69% of properties met the amenity and comfort requirements. 31% (2022 properties) failed the Standard. Single failures on kitchen power (1769 properties) dominated
  - 17% (1110 properties) failed the health, safety and security provisions of the Standard. The majority of the failures related to security.

- 2.2 The Council was also required to identify the potential dwelling deterioration over the period to 2015. This highlighted that 23% of the housing stock (1503 properties) were projected to deteriorate below the Standard before 2015, due to primary or secondary building element failure. Notable features of dwelling failure include roof coverings, flashings, rainwear, windows and doors. These property failures have been included within the Investment Strategy proposals.
- 2.3 While there is a statutory requirement for the Council to achieve the Scottish Housing Quality Standard by 2015, the Council had previously agreed a Moray Council Housing Standard, as part of the Option Appraisal process carried out in 2001 under the New Housing Partnership initiative. The Standard Delivery Plan identified that all Moray Council properties failed this standard in March 2005, with primary failures relating to –
- Safety and security – the level of socket provision in lounge, kitchen and hall areas
  - Energy efficiency – enhanced loft insulation at 200mm
  - Amenity and comfort – kitchen age and provision, toilet cistern type and material, bathroom extractor fans.
- 2.4 As part of the review of the 2007/08 Investment Strategy carried out in February 2007, the Council made a number of changes to the specification detailed in the Moray Housing Standard. These changes had the effect of reducing the need for £5.720m of investment up to 2015 (£0.710m per year), through the reduction of costs to achieve the Moray Housing Standard by 2015 from £22.364m to approximately £16.644m.
- 2.5 The Council is also required to provide for response repairs, cyclic maintenance and estates improvements. These form part of the overall Investment Strategy. The Council has also identified the need for investment to fund adaptations for disabilities and enabling works.

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

- 3.1 The Housing Performance Report presented to the Communities Committee on a quarterly basis includes performance in achieving the SHQS. The Standard Delivery Plan agreed by the Council in March 2005 identified the number of properties meeting the SHQS amounted to 2,908 (44.3%) while the numbers failing the Standard amounted to 3,660 (55.7%) of the housing stock.
- 3.2 As at 30 September 2009, the number of properties meeting the SHQS amounted to 4080 (69.92%) an increase of 25.62% in the number achieving the standard in 2004, while the numbers failing amounted to 1,755 (30.08%) of the housing stock. The milestones projected in the Standard Delivery Plan for the percentage of properties meeting the Standard by March 2010 is 65.1% - therefore progress to date is in excess of the milestone to that point. The stock condition database is

only updated on completion of contracts – therefore the position reported for 30 September 2009 will only reflect contract completions and updates received to that date.

3.3 The table below shows the numbers of properties identified as failing the SHQS in 2005 and the numbers currently failing the SHQS on the specific criteria contained within the SHQS. Overall, a reduction of 3152 instances of failure have been achieved to date. It should be noted that an individual property may fail under more than one criteria.

| <b>Quality criteria</b>           | <b>SHQS Element</b>       | <b>Number of properties failing the SHQS as at 31 March 2005</b> | <b>Number of properties failing the SHQS as 30 September 2009</b> |
|-----------------------------------|---------------------------|--|---|
| <b>Tolerable Standard</b>         | Tolerable standard        | 0  | 0   |
| <b>Serious Disrepair</b>          | Primary element repair    | 374  | 190   |
|                                   | Secondary element repair  | 397  | 339   |
| <b>Energy Efficiency</b>          | Cavity insulation         | 0  | 0   |
|                                   | Roofspace insulation      | 0  | 0   |
|                                   | Tank & pipe insulation    | 0  | 0   |
|                                   | Central heating provision | 56   | 17  |
|                                   | NHER rating               | 844  | 738   |
| <b>Amenity &amp; comfort</b>      | Bathroom condition        | 0  | 0   |
|                                   | Kitchen condition         | 0  | 0   |
|                                   | Kitchen storage           | 371  | 121   |
|                                   | Kitchen safety            | 199  | 86  |
|                                   | Kitchen sockets           | 1769   | 527   |
| <b>Healthy, Safe &amp; Secure</b> | Lead free pipework        | 0  | 0   |
|                                   | Mechanical ventilation    | 60   | 0   |
|                                   | Noise insulation          | 0  | 0   |
|                                   | Smoke detectors           | 0  | 0   |
|                                   | Electrical systems        | 0  | 0   |
|                                   | Gas systems               | 0  | 0   |
|                                   | Common access             | 199  | 33  |
|                                   | Common lighting           | 305  | 102   |
|                                   | Access doors              | 574  | 24  |
|                                   | Door entry systems        | 97   | 10  |
|                                   | Common rear access doors  | 103  | 9   |
|                                   |                           |  |   |
| <b>Total Property Failings</b>    |                           | <b>5348</b>  | <b>2196</b>   |

- 3.4 Considerable progress has been made to date on the Amenity & Comfort, and the Healthy, Safe & Secure criteria, due to the levels of expenditure on kitchens, bathrooms, external doors and common door entry systems. A small number of door entry systems still remain as failures due to refusal of private owners to contribute to the cost of installation. It is intended that a further approach is made to these owners in the coming financial year, after which it is proposed that an exemption application be made in respect of the remaining failures. Central heating failures remain fairly constant due to a number of properties where tenants have refused heating upgrades in the past and continue to do so. The main area of high failures at present continues to be in the Energy Efficiency criteria, where progress remains to be made on 'hard to treat' property types with low NHER values. The council has now completed trials on two different methods of upgrading the external fabric of properties to allow consideration of the most appropriate approach to this area in the future. Should work on some of the properties currently failing the SHQS be considered uneconomic, or inappropriate for some other reason, the council would be in a position to apply for an exemption from the SHQS.
- 3.5 The Moray Housing Standard currently aims for a higher standard of provision than is required within the SHQS. The main areas of difference between the SHQS and the Moray Standard relate to enhanced electrical provision, increased levels of loft insulation and increased kitchen unit & workspace provision. The table below shows the current level of failures against the agreed MHS criteria.

| <b>Moray Housing Standard Criteria</b> | <b>% compliance 2004</b> | <b>% compliance 2008</b> | <b>% compliance 2009</b> |
|--|--------------------------|--------------------------|--------------------------|
| Safety and Security                    | 7.50                     | 91.60                    | 92.27                    |
| Energy Efficiency                      | 37.20                    | 87.94                    | 88.69                    |
| Amenity and Comfort                    | 0                        | 64.52                    | 68.80                    |
| Structure and Fabric                   | 79.30                    | 99.32                    | 99.69                    |
| External Environment                   | 76.20                    | 99.27                    | 99.86                    |

A large number of failures in 2004 under the Safety & Security criteria related to the lack of electrical inspection certificates. The Council is now making progress in this area through the implementation of a regular inspection regime to ensure that properties are inspected under specific inspection contracts (approximately 300 per year) or following major works such as heating or kitchen replacements. In relation to the Amenity & Comfort criteria, increased investment in the Council's kitchen replacement programme is enabling the Council to make substantial progress under this element of the Moray Standard.

#### 4. **Investment Proposals 2010/11**

The Council's Investment proposals for 2010/11 reflect the key elements of –

- Response and void repairs
- estate investment
- cyclic maintenance
- planned maintenance and improvements
- other investment.

#### 4.1 Response and void repairs

4.1.1 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.

4.1.2 The response repairs budget previously remained static to reflect the reduction on the housing stock, offset by inflation. In response to pressure on this budget in 2005/06 and 2006/07, the budgetary provision was increased in 2007/08. This budget has again come under pressure in both 2008/09 and 2009/10, in part due to a reduction in house sales, and an increase of £0.120m is sought for 2010/11, with an additional £0.100m sought for 2011/12 and 2012/13.

4.1.3 The Investment Strategy for 2010/11 therefore proposes response repairs spend as shown in the table below :-

| <b>Response Repairs</b> | <b>Investment<br/>2009/10<br/>£m</b> | <b>Proposed<br/>2010/11<br/>£m</b> |
|-------------------------|--------------------------------------|------------------------------------|
| Response Repairs        | 1.400                                | 1.520                              |
| Void Repairs            | 0.450                                | 0.450                              |
| <b>Total</b>            | <b>1.850</b>                         | <b>1.970</b>                       |

#### 4.2 Estate Improvements

4.2.1 Estates Improvement work relates to Tenant Forum Budgets, estates improvements, garage upgrades, play area upgrades, asbestos and miscellaneous works.

4.2.2 Investment of £0.600m is proposed for Estates Improvements in 2010/11. Increases of £0.015m in the Garage Upgrading budget and £0.020m in the Estates Upgrading Budget are sought for 2011/12 and 2012/13, increasing the overall budget to £0.635m.

#### 4.3 Cyclic Maintenance

4.3.1 Cyclic Maintenance refers to regular servicing and maintenance works carried out to houses and related assets. This includes servicing of

heating appliances, smoke alarms, CO detectors, internal fans, external paintwork etc.

4.3.2 The budget for Cyclic Maintenance was increased for 2009/10 as the Council's Planned Maintenance Programme progressed, and this impacted on the number of the types of heating units, fans, CO detectors etc to be maintained. Further increases of £0.150m in the Gas Servicing budget to deal with CO detector replacements and of £0.025m in the Servicing budget for fans, windows etc are therefore sought for 2010/2011 to accommodate the increased number of installations being serviced. A further increase of £0.075m in the gas Servicing Budget and £0.025m in the Servicing budget are sought for 2011/12 and 2012/13. Increased Health & Safety requirements have affected the cost of maintenance of the external fabric of the stock and therefore increases of £0.100m in the External Paintwork budget and £0.025m in the Pre-Paint Repairs budget are sought for 2011/12 and 2012/13 to deal with this additional requirement.

4.3.3 A new requirement for 2010/11 financial year will to be service and maintain the Air Source Heat Pumps now being installed as part of the council's heating replacement programme. A budget of £0.015m is sought for this section of the programme in 2010/11, with a further increase of £0.015m in 2011/12 and 2012/13 to allow for increasing numbers of these types of installations being serviced.

4.3.4 For 2008/09, the budget for servicing of smoke detectors was increased to enable a programme of replacement due to life cycle expiry. Budgetary provision is intended to remain at similar levels to enable the completion of this replacement programme during 2010/11. The cost of servicing the new installations is projected to decrease on completion of the programme, and this is reflected in the currently projected budgetary provision for 2011/12. A similar lifecycle expiry situation is however arising with CO detectors, with higher costs being experienced in the cyclic maintenance budget as indicated in 4.3.2 above. Officers are currently considering a future phased programme of replacement, which will be reflected in future years budget provision when initial investigation into numbers and budgetary requirements are complete.

4.3.5 The budget for Cyclic Maintenance reflected in the Housing Revenue Account proposals for 2010/11 is therefore –

| <b>Cyclical Maintenance</b>    | <b>Investment<br/>2009/10<br/>£m</b> | <b>Proposed<br/>2010/11<br/>£m</b> |
|--------------------------------|--------------------------------------|------------------------------------|
| Gas Servicing                  | 0.575                                | 0.725                              |
| Solid Fuel Servicing           | 0.050                                | 0.050                              |
| Air Source Heat Pump Servicing | -                                    | 0.015                              |
| Smoke Alarm Servicing          | 0.125                                | 0.125                              |
| Pre Paint Repairs              | 0.050                                | 0.050                              |

|                                 |              |              |
|---------------------------------|--------------|--------------|
| External Paintwork              | 0.200        | 0.200        |
| Fans, windows etc               | 0.050        | 0.075        |
| Inspections and Surveys         | 0.010        | 0.010        |
|                                 |              |              |
| <b>Total Cyclic Maintenance</b> | <b>1.060</b> | <b>1.250</b> |

#### 4.4 Planned Maintenance and Improvements

4.4.1 Planned Maintenance and Improvement refers to works to bring properties to the Scottish Housing Quality Standard, to maintain them to this standard and to bring properties to the Moray Housing Standard.

4.4.2 For the period to 2015, these costs were summarised as (as at March 2005) –

|   | <b>£m</b> |
|---|-----------|
| Achieve Scottish Housing Quality Standard           | 3.385     |
| Maintain stock to Scottish Housing Quality Standard | 4.958     |
| Achieve Moray Housing Standard                      | 22.364    |

As detailed in section 2.4 above the Moray standard requirement has subsequently been reduced to £16.644m

In addition to these costs, the Business Plan allows for major component replacement costs of approximately £1.4m per year. These costs relate to doors, windows and roofs in the main. 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 £4.395m.

4.4.3 For 2009/10, the proposed investment reflected the broad investment expectations reflected in the Business Plan, and this approach is to be maintained in the future, albeit with some amendments.

4.4.4 During 2010/11 a new budget of £0.050m for Shower Installations is proposed to be included as part of the Tenant Improvement Plan. The cost of the installations will be recouped from tenants through an additional rent charge. In the longer term this initiative will become self-funding, however in the intervening period budget provision will require to be made for initial installations. An increase of £0.025m is sought for this budget in 2011/12 and 2012/13 to allow for increasing numbers of installations. An additional £0.100m is also sought for the Rainwatergoods budget for 2011/12 and 2012/13 to increase the amount of gutter replacements and gutter/roof cleaning carried out.

4.4.5 The proposed amendment would result in investment in Planned Maintenance and Improvements in 2010/11 of :-

| <b>Planned Maintenance and Improvements</b> | <b>Works to be undertaken</b> | <b>Investment 2009/10 £m</b> | <b>Proposed 2010/11 £m</b> | <b>Rev/Cap</b> |
|---|-------------------------------|------------------------------|----------------------------|----------------|
|   |                               |                              |                            |                |
| <b>Serious Disrepair</b>                    | Roof and fabric repairs       | 0.730                        | 0.725                      | Revenue        |
|   | Rainwater goods               | 0.200                        | 0.200                      | Revenue        |
|   |                               |                              |                            |                |
| <b>Energy Efficiency</b>                    | Central heating upgrading     | 0.560                        | 0.560                      | Capital        |
|   | Insulation                    | 0.020                        | 0.010                      | Revenue        |
|   |                               |                              |                            |                |
| <b>Modern Facilities</b>                    | Kitchen/bathroom replacements | 1.900                        | 1.900                      | Capital        |
|   | Plumbing upgrades             | 0.125                        | 0.125                      | Revenue        |
|   | Shower Installations          | -                            | 0.050                      | Revenue        |
|   |                               |                              |                            |                |
| <b>Healthy, Safe, and Secure</b>            | Electrical upgrades           | 0.125                        | 0.125                      | Revenue        |
|   | Doors and windows             | 0.600                        | 0.585                      | Capital        |
|   | Safety and security           | 0.100                        | 0.100                      | Revenue        |
|   | Common stairs                 | 0.050                        | 0.050                      | Revenue        |
|   |                               |                              |                            |                |
| <b>Total Planned</b>                        |                               | <b>4.410</b>                 | <b>4.430</b>               |                |

4.4.6 The table detailed in paragraph 5.2 proposes a three-year programme of investment.

#### **4.5 Other Investment**

4.5.1 The Council also makes financial provision for the adaptation of its properties to meet disability needs. In 2009/10, provision for disabilities amounted to £0.550m. It is intended at this stage to continue this level of funding for 2010/11, however this particular budget has been under pressure for a number of years and officers are presently investigating the reasons for this. A detailed report will be presented to a future committee on the current issues and any appropriate measures that could be considered in order to deal with the situation.

4.5.2 The Council also makes financial provision for its enabling role within this budget, and it is proposed that the provision within the Investment Strategy remains at £0.100m for 2010/11.

## 5. Summary of Investment Proposed

5.1 The investment proposals reflected in the Housing Investment Plan for 2010/11 reflects the Council's Housing Business Plan, which envisages investment of around £8.000m per year in maintenance and improvement of the Council's housing stock plus other investment in affordable housing and adaptations.

5.2 The investment proposals for 2010/11 to 2012/13 can be summarised thus :-

| <b>Investment Heading</b>        | <b>Programme</b>              | <b>2010/11</b> | <b>2011/12</b> | <b>2012/13</b> |
|----------------------------------|-------------------------------|----------------|----------------|----------------|
| <b>Response and Void repairs</b> | Response Repairs              | 1.520          | 1.620          | 1.620          |
|                                  | Void House Repairs            | 0.450          | 0.450          | 0.450          |
|                                  | <b>Total Response</b>         | <b>1.970</b>   | <b>2.070</b>   | <b>2.070</b>   |
| <b>Estate Works</b>              | Tenant Forum Budgets          | 0.180          | 0.180          | 0.180          |
|                                  | Garage Upgrades               | 0.050          | 0.065          | 0.065          |
|                                  | Asbestos                      | 0.025          | 0.025          | 0.025          |
|                                  | Play Areas                    | 0.025          | 0.025          | 0.025          |
|                                  | Estate Improvements           | 0.120          | 0.140          | 0.140          |
|                                  | Miscellaneous                 | 0.200          | 0.200          | 0.200          |
|                                  | <b>Total: Estate Works</b>    | <b>0.600</b>   | <b>0.635</b>   | <b>0.635</b>   |
| <b>Cyclic Maintenance</b>        | Gas Servicing                 | 0.725          | 0.800          | 0.800          |
|                                  | Solid Fuel Servicing          | 0.050          | 0.050          | 0.050          |
|                                  | ASHP Servicing                | 0.015          | 0.030          | 0.030          |
|                                  | Smoke Alarm Servicing         | 0.125          | 0.050          | 0.050          |
|                                  | Pre-Paint Repairs             | 0.050          | 0.075          | 0.075          |
|                                  | External Paintwork            | 0.200          | 0.300          | 0.300          |
|                                  | Fans, windows etc             | 0.075          | 0.100          | 0.100          |
|                                  | Inspections/surveys           | 0.010          | 0.010          | 0.010          |
|                                  | <b>Total: Cyclic Works</b>    | <b>1.250</b>   | <b>1.415</b>   | <b>1.415</b>   |
| <b>Planned Maintenance</b>       | Roof and Fabric Repairs       | 0.725          | 0.725          | 0.725          |
|                                  | Rainwatergoods                | 0.200          | 0.300          | 0.300          |
|                                  | Central Heating               | 0.560          | 0.560          | 0.560          |
|                                  | Insulation                    | 0.010          | 0.010          | 0.010          |
|                                  | Kitchen/bathroom Replacements | 1.900          | 1.900          | 1.900          |
|                                  | Plumbing Upgrades             | 0.125          | 0.125          | 0.125          |
|                                  | Electrical Upgrades           | 0.125          | 0.125          | 0.125          |
|                                  | Doors and Windows             | 0.585          | 0.585          | 0.585          |
|                                  | Safety & Security             | 0.100          | 0.100          | 0.100          |
|                                  | Common Stairs                 | 0.050          | 0.050          | 0.050          |
|                                  | Shower Installations          | 0.050          | 0.075          | 0.075          |
|                                  | <b>Total: Planned</b>         | <b>4.430</b>   | <b>4.555</b>   | <b>4.555</b>   |

| <b>Investment Heading</b>  | <b>Programme</b>    | <b>2010/11</b> | <b>2011/12</b> | <b>2012/13</b> |
|----------------------------|---------------------|----------------|----------------|----------------|
| <b>Other investment</b>    | Adaptations         | 0.550          | 0.550          | 0.550          |
|                            | Enabling Budget     | 0.100          | 0.100          | 0.100          |
|                            | <b>Total: Other</b> | <b>0.650</b>   | <b>0.650</b>   | <b>0.650</b>   |
| <b>Proposed Investment</b> |                     | <b>8.900</b>   | <b>9.325</b>   | <b>9.325</b>   |

## 6. Funding Proposals

6.1 Funding for Response and Void Repairs, Estates Improvements and Cyclic Maintenance will be reflected within the Housing Revenue Account Budget for 2010/11.

6.2 The Council's Housing Business Plan proposed that Planned expenditure would be met from available revenue resources, after allowing for a surplus of £0.500m on the HRA as a cushion for unanticipated expenditure/variations in the year. The remaining expenditure would then be met from Council house sales receipts, with borrowing limited to what is required to fund the identified expenditure. 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 is treated as capital. Other planned works (roofs, rainwater goods, plumbing upgrades etc) are funded from the Housing Revenue Account. The appropriate funding source for each type of planned work is identified in the table in paragraph 4.4.5. Capital from Current Revenue (CFCR) can be funded from the Housing Revenue Account, with prudential borrowing meeting any further capital expenditure required.

6.3 Capital expenditure proposed for 2010/11 to 2012/2013 can be summarised as :-

| <b>Investment</b>               | <b>2010/11</b> | <b>2011/12</b> | <b>2012/13</b> |
|---------------------------------|----------------|----------------|----------------|
| Doors/windows                   | 0.585          | 0.585          | 0.585          |
| Heating replacements            | 0.560          | 0.560          | 0.560          |
| Kitchen/bathrooms               | 1.900          | 1.900          | 1.900          |
| Disabled adaptations            | 0.550          | 0.550          | 0.550          |
|                                 |                |                |                |
| <b>Total Capital Investment</b> | <b>3.595</b>   | <b>3.595</b>   | <b>3.595</b>   |

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

| <b>Projected income</b> | <b>2010/11<br/>£m.</b> | <b>2011/12<br/>£m.</b> | <b>2012/13<br/>£m.</b> |
|-------------------------|------------------------|------------------------|------------------------|
| House sales             | 1.861                  | 1.861                  | 1.861                  |
| Land sales              | 0.000                  | 0.000                  | 0.000                  |
| Loan repayments         | 0.001                  | 0.000                  | 0.000                  |

| <b>Projected income</b> | <b>2010/11<br/>£m.</b> | <b>2011/12<br/>£m.</b> | <b>2012/13<br/>£m.</b> |
|-------------------------|------------------------|------------------------|------------------------|
| <i>less</i>             |                        |                        |                        |
| Set aside @ 75%         | 1.396                  | 1.396                  | 1.396                  |
| Fees                    | 0.026                  | 0.026                  | 0.026                  |
| Sub total               | 0.440                  | 0.439                  | 0.439                  |
|                         |                        |                        |                        |
| CFCR                    | 1.000                  | 1.000                  | 1.000                  |
| Prudential Borrowing    | 2.155                  | 2.156                  | 2.156                  |
|                         |                        |                        |                        |
| <b>Total</b>            | <b>3.595</b>           | <b>3.595</b>           | <b>3.595</b>           |