**APPENDIX II**

**The Moray Council**

**Draft Housing Investment Plan 2011/12**

## 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.

1.4 The Council was requested to provide monitoring information to the Scottish Government in September 2010. The information requested included details of progress towards the SHQS against the targets submitted as part of the Delivery Plan, as well as submission of a range of financial information including expenditure to date, projected expenditure, and funding proposals.

## 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, rainwater goods, windows and doors. These property failures have been included within ongoing 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 also 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 of 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 which was carried out in February 2007, the Council made a number of changes to the specification within 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), reducing 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, 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.

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

Scottish housing Quality Standard

3.1 The Housing Performance Report presented to both the Communities Committee, and the Housing Sub 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 2908 (44.3%) while the numbers failing the Standard amounted to 3660 (55.7%) of the housing stock.

3.2 As at 30 September 2010, the number of properties meeting the SHQS was 4251 (75.30%) an increase of 31% in the number achieving the standard in 2004, while the numbers failing amounted to 1534 (24.7%). The milestone projection within the Standard Delivery Plan for the percentage of properties meeting the Standard by March 2011 is 74.10% - therefore progress to date is slightly in excess of the target to that point. The stock condition database is only updated on completion of contracts – therefore the position reported for 30 September 2010 will only reflect contract completions and updates received to that date and not the full effect of all works carried out to date in this financial year.

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. An overall reduction of 3449 individual failures have been achieved to date. It should be noted that an individual property may fail under more than one criteria.

| **Quality criteria** | **SHQS Element** | **Number of properties failing the SHQS as at 31 March 2005** | **Number of properties failing the SHQS as 30 September 2010** |
|---|---|---|---|
| **Tolerable Standard** | Tolerable standard | 0 | 0 |
| **Serious Disrepair** | Primary element repair | 374 | 100 |
| | Secondary element repair | 397 | 324 |
| **Energy Efficiency** | Cavity insulation | 0 | 0 |
| | Roofspace insulation | 0 | 0 |
| | Tank & pipe insulation | 0 | 0 |
| | Central heating provision | 56 | 15 |
| | NHER rating | 844 | 768 |
| **Amenity & comfort** | Bathroom condition | 0 | 0 |
| | Kitchen condition | 0 | 0 |
| | Kitchen storage | 371 | 105 |
| | Kitchen safety | 199 | 81 |
| | Kitchen sockets | 1769 | 422 |
| **Healthy, Safe & Secure** | 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 | 10 |

| Quality criteria | SHQS Element | Number of properties failing the SHQS as at 31 March 2005 | Number of properties failing the SHQS as 30 September 2010 |
|---|---|---|---|
| | Common lighting | 305 | 42 |
| | Access doors | 574 | 0 |
| | Door entry systems | 97 | 10 |
| | Common rear access doors | 103 | 8 |
| | | | |
| **Total Property Failings** | | **5348** | **1885** |

3.4 Considerable progress has been made to date on the Amenity & Comfort, and the Healthy, Safe & Secure criteria, due to the continuing level of expenditure on kitchens, bathrooms and external doors. Central heating and common door entry system failures remain fairly constant due to a number of properties where tenants or owner-occupiers have refused upgrades in the past and continue to do so, as highlighted in the section above. The main area of high failure at present however continues to be in the Energy Efficiency criteria, where progress remains to be made on ‘hard to treat’ property types with low NHER values. Section 3.4 above details the application made to the Scottish Government for exemptions to these criteria.

3.5 As part of the submission to the Scottish Government in September 2010, the opportunity has been taken to revise the SHQS compliance targets for the remaining period of the Delivery Plan, taking into account the performance to date. The revisions to the targets are shown in the table below.

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| **Original Target** | 74.10% | 80.30% | 86.70% | 93.30% | 100% |
| **Revised Target** | 77.41% | 83.29% | 88.77% | 94.33% | 100% |

The revised targets are at present based on assumptions that all the current stock can be brought up to the SHQS, however as part of the recent Scottish Government submission Councils have been asked to highlight areas where they consider stock may not be able to meet the standard, and seek exemptions from specific criteria.

3.6 The Council has provided the Scottish Government with an initial indication on the numbers of properties that they may be seeking exemption either on a temporary or permanent basis, and the reason for seeking these exemptions. At the present time there are three specific areas where officers have sought exemptions :-

Door Entry Systems – Although the council currently offers a substantially discounted contribution rate to owner-occupiers to encourage them to have door entry systems fitted, there are still a number of locations where owner-occupiers refuse to cooperate. There are currently 10 individual dwellings, located in 3 separate blocks of flats, which have been indicated as temporary exemptions at this stage, and officers intend to continue contacting owner-occupiers in the 3 affected blocks on a regular basis to ascertain whether they are willing to participate in the programme of door entry installations.

Heating Systems – there are a number of properties where existing heating systems do not meet the SHQS due to the refusal of tenants to accept heating upgrades. The refusals have in the main been due to the tenant being unwilling to suffer the disruption to their home which the installation of a new heating system entails. The 15 properties currently in this position have been indicated as temporary exemptions at this time, and will targeted for upgrades on becoming void in the future, or by contacting the existing tenants on a periodic basis to ascertain whether they may now be willing to accept an upgrade.

Additional Energy Measures to meet NHER/SAP – There are a number of Solid Fuel and Electrically heated properties with solid stone walls or of 'non-traditional' construction which may not be able to meet this criteria due to either a lack of suitable gas infrastructure to install the most energy efficient heating, or the excessive cost of upgrading the external fabric of the dwelling after all other more cost-effective insulation measures have been applied. At the present time Officers have indicated to the Scottish Government that around 400 properties may fall into this category and are seeking temporary exemptions for these dwellings at the present time, however the final numbers is very much dependent on the application of new technologies such as air source heat pumps, and the final appraisal of recent trial of fabric upgrading contracts on hard to treat properties.

Moray Housing Standard

3.7 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.

| **Moray Housing Standard Criteria** | **% compliance 2004** | **% compliance 2009** | **% compliance 2010** |
|---|---|---|---|
| Safety and Security | 7.50 | 92.27 | 92.86 |
| Energy Efficiency | 37.20 | 88.69 | 88.82 |
| Amenity and Comfort | 0 | 68.80 | 69.29 |
| Structure and Fabric | 79.30 | 99.69 | 99.91 |

| | | | |
|---|---|---|---|
| External Environment | 76.20 | 99.86 | 100 |

3.8 A large number of failures in 2004 under the Safety & Security criteria related to the lack of electrical inspections. 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 or following major works such as heating or kitchen replacements. In relation to the Amenity & Comfort criteria, continued investment in the Council's kitchen replacement programme has enabled the Council to make substantial progress under this element of the Moray Standard to date. In common with the SHQS monitoring figures, the stock condition database is only updated on completion of contracts – therefore the position reported updates received to that date and not the full effect of all works carried out to date in this financial year.

## 4. Investment Proposals 2011/12

The Council's Investment proposals for 2011/12 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 remained static in previous years, to reflect the reduction in the housing stock, offset by inflation. In response to pressure on this budget the provision was increased in 2010/11 and it is intended that it is maintained at the current level for 2011/12.

4.1.3 The Investment Strategy for 2011/12 therefore proposes a continuation of the 2010/11 level of investment :-

| **Response Repairs** | **Investment 2010/11 £m** | **Proposed 2011/12 £m** |
|---|---|---|
| | | |
| Response Repairs | 1.520 | 1.520 |
| Void Repairs | 0.450 | 0.450 |
| | | |
| **Total** | **1.970** | **1.970** |

## 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 The Tenant Forum Budget has, for the last few years been underspent at the end of each financial year due to difficulties in identifying appropriate quantities of work through a reducing number of constituted forums, with budgets rolling forward to the next year. The existing Estates Upgrades budget within the investment strategy is used to carry out similar types of work, and in the past has been used to supplement funding for projects carried out in conjunction with Area Forums where required. It is proposed that from financial year 2011/12 onwards, these two budgets are combined, with constituted Area Forums being able to access monies to allow projects to be carried out in their areas in consultation with the Area Housing Office and the Capital Programmes Team. This would increase the possibility of full expenditure of this budget within each financial year.

4.2.3 Investment of £0.550m is therefore proposed for the Estate based work in 2011/12 and beyond, as indicated below.

| **Response Repairs** | **Investment 2010/11 £m** | **Proposed 2011/12 £m** |
|---|---:|---:|
| Estates/Forum Budget | 0.250 | 0.250 |
| Garage Upgrades | 0.050 | 0.050 |
| Asbestos | 0.025 | 0.025 |
| Play Areas | 0.025 | 0.025 |
| Miscellaneous | 0.200 | 0.200 |
| | | |
| **Total** | **0.550** | **0.550** |

## 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. Increases in the Gas Servicing budget to deal with CO detector replacements and the General Servicing budget were approved in 2010/2011 to accommodate the increased number of installations.

4.3.3 For 2008/09, the budget for servicing of smoke detectors was increased to £0.125m enable a programme of replacement due to life cycle expiry. Budgetary provision has remained at this level through 2009/10 and 2010/11 to enable the completion of this replacement programme. The cost of servicing these new installations will decrease now that the programme has been completed, and this is reflected in reduced budgetary provision of £0.050m for 2011/12. The Gas Servicing budget was increased in 2010/11 to deal with lifecycle expiry of CO detectors, and increasing expenditure on boiler replacements due to lack of suitable spares for some obsolete boiler types. Funding of £0.725m is sought in 2011/12 to continue dealing with the above issues.

4.3.4 The budget for Cyclic Maintenance reflected in the Housing Revenue Account proposals for 2011/12 is therefore :–

| **Cyclical Maintenance** | **Investment 2010/11 £m** | **Proposed 2011/12 £m** |
|---|---|---|
| Gas Servicing | 0.725 | 0.725 |
| Solid Fuel Servicing | 0.050 | 0.050 |
| Air Source Heat Pump Servicing | 0.015 | 0.015 |
| Smoke Alarm Servicing | 0.125 | 0.050 |
| Pre Paint Repairs | 0.050 | 0.050 |
| External Paintwork | 0.200 | 0.200 |
| Fans, windows etc | 0.075 | 0.075 |
| Inspections and Surveys | 0.010 | 0.010 |
| | | |
| **Total Cyclic Maintenance** | **1.250** | **1.175** |

## 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) –

| | **£m** |
|---|---|
| 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 2010/11 investment reflected the broad investment reflected in the Business Plan, with agreed revisions for carry forward from 2009/10 incorporated within a number of budgets. This basic approach is to be maintained for 2011/12.

4.4.4 During 2010/11 a new budget of £0.050m for Shower Installations was 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 continued budget provision will require to be made for initial installations.

4.4.5 The proposals above would result in investment in Planned Maintenance and Improvements in 2011/12 of :-

| **Planned Maintenance and Improvements** | **Works to be undertaken** | **Original investment proposals 2010/11 £m** | **Proposed 2011/12 £m** | **Rev/Cap** |
|---|---|---|---|---|
| | | | | |
| **Serious Disrepair** | Roof and fabric repairs | 0.725 | 0.725 | Revenue |
| | Rainwater goods | 0.200 | 0.200 | Revenue |
| | | | | |
| **Energy Efficiency** | Central heating upgrading | 0.560 | 0.560 | Capital |
| | Insulation | 0.010 | 0.010 | Revenue |
| | | | | |
| **Modern Facilities** | Kitchen replacements | 1.900 | 1.900 | Capital |
| | Plumbing upgrades | 0.100 | 0.100 | Revenue |
| | Shower Installations | 0.050 | 0.050 | Revenue |
| | | | | |
| **Healthy, Safe, and Secure** | Electrical upgrades | 0.125 | 0.125 | Revenue |
| | Doors and windows | 0.585 | 0.585 | Capital |
| | Safety and security | 0.100 | 0.100 | Revenue |
| | Common stairs | 0.050 | 0.050 | Revenue |
| | | | | |
| **Total Planned** | | **4.405** | **4.405** | |

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 2010/11, provision for disabilities amounted to £0.550m. It is intended at this stage to continue this level of funding for 2011/12.

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 2011/12.

5. **Summary of Investment Proposed**

5.1 The investment proposals reflected in the Housing Investment Plan for 2011/12 broadly 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 2011/12 to 2013/14 can be summarised as shown below :-

| Investment Heading | Programme | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|---|
| **Response and Void repairs** | Response Repairs | 1.520 | 1.520 | 1.520 |
| | Void House Repairs | 0.450 | 0.450 | 0.450 |
| | **Total Response** | **1.970** | **1.970** | **1.970** |
| **Estate Works** | Estates/Forum Budget | 0.250 | 0.250 | 0.250 |
| | Garage Upgrades | 0.050 | 0.050 | 0.050 |
| | Asbestos | 0.025 | 0.025 | 0.025 |
| | Play Areas | 0.025 | 0.025 | 0.025 |
| | Miscellaneous | 0.200 | 0.200 | 0.200 |
| | **Total: Estate Works** | **0.550** | **0.550** | **0.550** |
| **Cyclic Maintenance** | Gas Servicing | 0.725 | 0.725 | 0.725 |
| | Solid Fuel Servicing | 0.050 | 0.050 | 0.050 |
| | ASHP Servicing | 0.015 | 0.015 | 0.015 |
| | Smoke Alarm Servicing | 0.050 | 0.050 | 0.050 |
| | Pre-Paint Repairs | 0.050 | 0.050 | 0.050 |
| | External Paintwork | 0.200 | 0.200 | 0.200 |
| | Fans, windows etc | 0.075 | 0.075 | 0.075 |
| | Inspections/surveys | 0.010 | 0.010 | 0.010 |
| | **Total: Cyclic Works** | **1.175** | **1.175** | **1.175** |

| Investment Heading | Programme | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|---|
| **Planned Maintenance** | Roof and Fabric Repairs | 0.725 | 0.725 | 0.725 |
| | Rainwatergoods | 0.200 | 0.200 | 0.200 |
| | Central Heating | 0.560 | 0.560 | 0.560 |
| | Insulation | 0.010 | 0.010 | 0.010 |
| | Kitchen Replacements | 1.900 | 1.900 | 1.900 |
| | Plumbing Upgrades | 0.100 | 0.100 | 0.100 |
| | 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 | 0.050 | 0.050 |
| | **Total: Planned** | **4.405** | **4.405** | **4.405** |
| **Other investment** | Adaptations | 0.550 | 0.550 | 0.550 |
| | Enabling Budget | 0.100 | 0.100 | 0.100 |
| | **Total: Other** | **0.650** | **0.650** | **0.650** |
| **Proposed Investment** | | **8.750** | **8.750** | **8.750** |

## 6. Funding Proposals

6.1 Funding for Response and Void Repairs, Estates Improvements and Cyclic Maintenance will reflected within the Housing Revenue Account Budget for 2011/12.

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, including the Council's council house new build programme of 172 houses, proposed for 2011/12 to 2013/14 can be summarised as : –

| Investment | 2011/12 | 2012/13 | 2013/14 |
|---|---|---|---|
| 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 |
| New build programme | 9.119 | 2.118 | 0.109 |
| **Total Capital Investment** | **12.714** | **5.713** | **3.704** |

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

| **Projected income** | **2011/12 £m.** | **2012/13 £m.** | **2013/14 £m.** |
|---|---|---|---|
| House sales | 1.861 | 1.861 | 1.861 |
| Land sales | 0.000 | 0.000 | 0.000 |
| Loan repayments | 0.001 | 0.000 | 0.000 |
| *less* | | | |
| Set aside @ 75% | 1.396 | 1.806 | 1.396 |
| Fees | 0.026 | 0.026 | 0.026 |
| Sub total | 0.439 | 0.029 | 0.439 |
| | | | |
| Govt Grant | | 3.720 | |
| Council Tax Discount monies | 1.110 | 0.000 | 0.000 |
| CFCR | 1.296 | 1.964 | 2.505 |
| Prudential Borrowing | 9.869 | 0.000 | 0.760 |
| | | | |
| **Total** | **12.714** | **5.713** | **3.704** |