

**REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND
ENVIRONMENT SERVICES COMMITTEE - 23 AUGUST 2010**

**REPORT ON: SCOTTISH HOUSING QUALITY STANDARD ROOT &
BRANCH REVIEW**

REPORT BY: DIRECTOR OF HOUSING

REPORT NO.: 426-2010

1. PURPOSE OF REPORT

- 1.1. To report on the results of the Root & Branch Review on the delivery of the Scottish Housing Quality Standard by 2015.

2. RECOMMENDATIONS

- 2.1. Committee is asked to:
- a. Agree the first phase of the Root & Branch Review.
 - b. Note that agreement has been given by Policy and Resources Committee of 28 June 2010 to the Five Year Housing Capital Budget from 2010/11 to 2014/15 - Revision which will allow us to achieve the Scottish Housing Quality Standard by 2015.
 - c. Agree to the cessation of installation of showers from 2011/12 not approved by Social Work on medical grounds, and remit the Director of Housing to investigate alternative methods of providing showers where required.
 - d. Agree that applications be made for exemptions to meeting the SHQS on the grounds of non agreement or disproportionate cost in line with the forthcoming Scottish Government guidance.

3. FINANCIAL IMPLICATIONS

- 3.1. The financial implications are as detailed in the Five Year Housing Capital Budget from 2010/11 to 2014/15 - Revision which will allow us to achieve the Scottish Housing Quality Standard by 2015. The budget was approved by Policy and Resources Committee of 28 June 2010.

4. MAIN TEXT

- 4.1. The Council is now just over halfway through the timescale for meeting the Scottish Housing Quality Standard. This review was originally timetabled for April 2009 and was initially a local agreement with Communities Scotland at that time to give all stakeholders comfort that the Council was on target to meet the SHQS given that the plan at that time was perceived to be high risk.

The concept of a review has now been applied to all Councils and Registered Social Landlords and is due to be with the Scottish Housing Regulator in the Summer of 2011.

- 4.2. The considerable work undertaken by the Council in conjunction with tenants to conclude the initial phase of the review is now being reported to Committee. The submission which will be required for the Scottish Government in Summer 2011 will be reported to Committee prior to submission.
- 4.3. The conclusion of the Review as shown in the report is that the Council is still on track to meet the SHQS by 2015, however this is qualified by the number of risks to delivery that are still apparent, for example the possible shortfall in receipts from land sales. These risks are being monitored on a regular basis and if realised plans will be produced for mitigation. In the case of financial shortfalls this will inevitably have implications for rents and levels of prudential borrowing. Any changes will be closely scrutinised and discussed with tenants before implementation.
- 4.4. It is likely that exemptions will be applied for. This is particularly the case where owner permissions are required in, for example, secure entry project and where the costs of meeting the SHQS would be disproportionate particularly in multi-storey blocks where there are issues with energy efficiency. Guidance is still awaited from the Scottish Housing Regulator (SHR) on the issue of exemptions so at this stage the possible impacts for the Council cannot be predicted with any certainty however many other Councils and RSLs have similar issues and these have been relayed to the SHR. Once guidance is forthcoming the Council will reflect this in its submission to the SHR in 2011.

5. **POLICY IMPLICATIONS**

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. An Equality Impact Assessment has been carried out and will be made available on the council website <http://www.dundee.gov.uk/equanddiv/equimpact/>.

The major issues identified are addressed in the attached report.

6. **CONSULTATIONS**

The Chief Executive, Depute Chief Executive (Support Services), Director of Finance, Assistant Chief Executive and all Chief Officers have been consulted in the preparation of this report. Dundee Federation of Tenants' Associations, Tenants' Focus Group and attendees at two tenants' conferences have also been consulted regarding this report. No concerns were expressed.

7. **BACKGROUND PAPERS**

Approved Standard Delivery Plan submitted to Communities Scotland June 2006.

Housing Committee October 2006 (SHQS Delivery Plan resubmission).

Housing, Dundee Contract Services & Environment Services Committee June 2007 (report on Shower Programme).

Housing, Dundee Contract Services & Environment Services Committee December 2007
(report on New Build).

Policy & Resources Committee 28 June 2010: Five Year Housing Capital Budget from
2010/11 to 2014/15 - Revision.

Equality Impact Assessment

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29 JULY 2010

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SCOTTISH HOUSING QUALITY STANDARD

ROOT & BRANCH REVIEW

INTERIM REPORT SEPTEMBER 2010

1. SHQS ROOT AND BRANCH REVIEW INTRODUCTION AND CONTEXT

- 1.1** The Scottish Housing Quality Standard was introduced by the then Scottish Executive in February 2004 with all houses in the Social rented sector to meet the Standard by 2015. Proposals for meeting the Standard were produced by all Local Authorities that still owned Council housing and by Registered Social landlords. The mechanism for setting out these plans was by a Standard Delivery plan which was to be submitted by April 2005. The Plans were to be supported by evidence and option appraisal assessments.

Dundee City Council submitted its Delivery Plan in April 2005 based on an investment profile of £140.8m over the life of the plan to be supported by a mixture of £76.494m of Prudential borrowing, £33.875m of Right to buy receipts, and £30.431m receipts from the sale of Council land.

Following the submission of the Plan, Communities Scotland assessed the content and a period of discussion ensued around the assumptions that underpinned successful delivery of the Standard. As a result of these discussions a revised Delivery Plan was submitted to Communities Scotland in June 2006 and following agreement was reported to Housing Committee in October 2006.

- 1.2** At the time of this agreement it was acknowledged that the Plan to meet the Standard was relatively high risk as it relied on a high level of capital receipts from both Right to Buy and land sales, the levels of borrowing required would put the council near the top of the Scottish League table in terms of income to debt ratio, some ambitious assumptions had been formulated in terms of Capital project costs and fee levels and crucially after taking all these risk factors to delivery into account there was no contingency or Plan B. Taking all these factors into account, both Communities Scotland and the internal Housing Investment Working group on which the Dundee Federation of Tenants were represented insisted on a Root and Branch Review of all the factors relating to the delivery of the standard during 2008/09. This process has now been rolled out as a requirement for all Councils and Registered Social Landlords but the timetable has slipped due to the adverse economic situation initially to June 2009, but latterly to September 2010 for an interim update with a full resubmission to the Scottish Government due in Summer 2011. Despite this revised timetable it was concluded that a Report on the results of the Root and Branch Review should be reported to Committee at this stage as there are just over five years left to bring the housing stock up to standard effectively the mid point of the Delivery plan process.

- 1.3** In effect the Root and Branch Review has been ongoing since March 2008 and the review has taken into consideration the following areas

- Stock profiles including needs and demand for the Council's housing stock
- Investment needs of the stock
- Financial plan
- Consultation
- Risks to delivery of the Standard

Work has been ongoing since 2008 on all these areas supported by the Dundee Federation of Tenants and a focus group of interested tenants that has been set up to oversee the process and provide critical input to the Council.

2. STOCK PROFILES

Dundee City Council Housing Revenue Account Assets

2.1 Housing Stock Profile

Date	Housing Revenue Account houses	Houses generating rent.		
1 April, 2005	16,527	15,774		
*31 March, 2010	14,763	13,646		

*These figures are utilised in this document for stock profile purposes.

2.2 Size of Dwellings

The majority of the Council's stock is flatted accommodation. Cottage type properties account for 23% of the stock, with 16% being maisonettes or multi-maisonettes. More than half of the stock is 3 apartment, 16% one/two apartment and 16% are four or more apartments.

2.3 Age of House Construction

54% of Council houses were built up to and including 1950; 35% built between 1951 and 1970; 9% were built between 1971 and 1980. The balance of 2% was built post 1980.

2.4 Construction Type of Houses

66% of our stock has been identified as being traditional construction type. The remaining 34% are either semi-traditional or non traditional construction and these have been included in the Delivery Plan. Within the non traditional housing stock 14% are multi storey flats/maisonettes.

2.5 Related Assets

In addition to housing stock, Dundee City Council manages a range of assets within the Housing Revenue Account. Whilst such assets generate a limited income there is a cost attached to sustaining and maintaining these elements over the long term. These assets include lock-ups/garages/garage sites.

There are also a number of shops held on the Housing Revenue Account. They are managed by City Development Department who retain a part of the rental income to cover maintenance and repair works with the Housing Revenue Account receiving a nominal portion of the income.

The income for all related assets has been factored into the financial profiling of this report.

Wider Issues

2.6 Assessing Housing Need, Demand and Affordability

The outcome of a Financial Viability Study and various other pertinent studies as reported to the Housing Committee in June 2004 outlined the consultant's views that the Council should reduce its core stock to a target of 12,800 units by 2008.

In the interim there have been significant shifts in the supply and demand for social rented housing. The current conditions of the national economy and the housing markets were unpredictable at the time of this study.

The Council commissioned research for Assessing Housing Need, Demand and Affordability in the Greater Dundee Housing Market Area (reported to Housing, Dundee Contract Services and Environmental Services Committee and city Development Committee - 28 September, 2009). Therein consultants undertook an assessment of annual housing need within Dundee using the Scottish Governments Housing Need and Demand Assessment Guidance to formulate their conclusions.

The consultants advised, despite the ongoing demolition programme, that their assessment of net housing need in Dundee taking account of the backlog of waiting list applicants; assumptions with regard to newly forming and existing households being unable to afford secure suitable housing through the open market and the assumptions with regard to the number of lettings becoming available for new tenants that there could be a potential oversupply of 164 social rented lettings per annum over the period to 2017/2018 (1148 units).

This assessment suggests a lower number of additionally potential at risk properties than that previously stated in the earlier study and in the Scottish Housing Quality Standard Delivery Plan, June 2006, wherein it was predicted that 1,341 additional units may be at risk of demolition no earlier than 2014/2015.

Physical Regeneration Strategy

The overriding issues in the social rented sector are that of low demand; the condition of stock; the mismatch of available to stock to meet the needs and demands of waiting list applicants and addressing the impact of anti-social behaviour in particular localities or neighbourhoods.

2.7 Low Demand

This is a perennial problem which has been addressed through applying a range of initiatives generated to offer the best sustainable solution dependant on the particular factors associated with the stock. Some of these initiatives have been highly successful in turning unpopular stock into sustainable long term lettable properties e.g. local lettings initiatives, comprehensive refurbishment, integrations, etc. and the Council will continue to promote opportunities for long term sustainability of stock through such initiatives in the future whenever these options are deemed to be best value and practicable. Never-the-less in some instances the most appropriate option may be demolition of the stock.

2.8 Responding to Anti-social Behaviour

Dundee City Council has adopted a strong proactive and reactive position towards addressing anti-social behaviour. Working in partnership with other agencies a wide networked range of services, advice and support is readily available to individuals and neighbourhoods. Whilst a zero tolerance culture has been adopted some residents still exhibit behavioural issues which create difficulties for other residents therefore the Council's strategy will continue to operate and be expanded where practicable to provide innovative and long lasting solutions.

2.9 Addressing Stock Mismatch to meet Needs and Demand

Although there is always some stock that is readily available for allocation, there is a constant waiting list for Council housing from both new applicants and existing Council tenants who have an expressed desire for housing of a specific size/type/location which is not readily available. Consequently Dundee City Council requires to create a balance of housing tenure options in neighbourhoods that reflects current and potential needs. The programme of new build by Housing Associations under the affordable housing investment programme creates opportunities to help fill the gaps of supply and demand. Despite the challenges that the current economic climate is having on the housing sector a reduced programme of new build is being sustained. The Scottish Government in partnership with housing providers are currently identifying and researching various options to sustain new build opportunities and to expand housing options available to people. This new supply is being augmented through the Council's own programme to build houses - with works having started on sites to build 42 units and a further 2 sites (27 units) now have planning permission.

The Housing Needs Demand and Affordability Study (2009) took account of a continuing development programme of at least 200 new units for each of the next 5 years.

2.10 Demolishing Stock

Despite the Council's attempts to sustain low demand/poor quality stock it has been necessary to declare some stock as surplus to requirements either due to low demand and associated unsustainable social or physical influences or under neighbourhood masterplans designed to create sustainable neighbourhoods offering a choice of quality, sustainable and affordable houses generated to meet needs and aspiration. 254 houses have already been declared surplus and a further 322 houses have been identified as potentially surplus to support the delivery of approved masterplans.

The level of potential at risk stock identified within the Financial Viability Study in 2004 indicated that most of the remaining multi storey properties not already designated as surplus stock would require to be declared surplus due to the substantial investment needed to bring them up to the Scottish Housing Quality Standard. However the Housing Needs, Demand and Affordability Study 2009 highlights that there is a need to seek to retain more of Dundee's population over the medium to longer term.

Dundee is expected to see an increase in the numbers (of smaller) households of between 1.7% (1,200) - 4.9% (3,400) between 2007-2022. An analysis of stock performance of various properties across the city, which included the remaining multis, indicated that there are no significant differentials between weighting applied to turnover and demand factors for the multis compared to others. Applicants on the waiting list continue to include these localities within their preferences and whilst the type of house might not be their preferred choice, their locality and closeness to amenities etc., does sustain a limited demand for them. Waiting list trends also support, at least in the short term, that the waiting list is unlikely to reduce and that these house are sufficiently popular to warrant their retention in the short term. Therefore the revised Standard Delivery Plan acknowledges that the multi storey developments in Lochee, although not part of the Council's long term core stock, have an intermediate life span beyond 2015. The Standard delivery plan will make provision for works to be undertaken to ensure that these properties meet the modern standards element as well as undertaking health and safety works. However, the Council does not intend to carry out works which will not provide value for money such as cladding/thermal insulation and will be seeking exemptions on specific elements of the Standard.

2.11 Delivering Physical Regeneration

Dundee City Council will achieve this by:

- Removing unpopular stock.
- Reshaping the mix and size of house type in the social rented sector by supporting a new build programme, either through the Affordable Housing Investment Programme or a council New Build Programme insofar as resources (AHIP Funding, HRA Capital Budget, or other funding streams) allow.
- Using the prudential code and receipts from house and land sales (including brownfield sites generated as a consequence of demolitions) to support the delivery of the SHQS to core stock.
- Improving energy efficiency within homes.
- Improving external areas, both individual and communal, to create sustainable safe and secure environs.
- Provide support to address resident's behavioural issues and provide support and assistance to vulnerable residents.

3. INVESTMENT NEEDS

3.1 Stock Information Database

Dundee City Council's initial Standard Delivery Plan, submitted in 2006, identified the need to spend £140.8 million over the ten year period of the Plan to bring all its core stock Council housing up to the SHQS. This figure was based on information recorded as part of the financial viability study inclusive of investment need data and stock condition information available at the time.

The database developed by consultants employed to update two earlier house condition surveys was then provided to the Council to assist in the establishment of a 100% housing stock database especially for the provision of measuring and recording progress in achieving the Standard. The Council has been replacing 'cloned' information with survey information gathered as an actual record of failure elements, per house, as a new investment project commences in estate developments. It is also proposed the original survey contractor carries out validation surveys at a cost of approximately £50,000 commencing in 2010/11.

The Stock Information Database (SID) is updated on a regular basis with all elements which have been brought up to standard from ongoing projects. These include all work undertaken since 2006 on Heating Replacement, Kitchen & Bathroom Replacement, External Cyclical Maintenance and Controlled Entry both upgrades and installations. Energy Performance Information is being updated within the database following heating projects and relet inspections.

Surveys undertaken on roof condition have been used to reflect this within the database. It is planned to undertake the same exercise with render survey information. Investigations are also underway to update the database following major repair works and relet inspections (Lettings Standard).

3.2 Progress to date on headline elements

Total to April 2010	
<u>Element</u>	<u>Achieved No. of Units</u>
Kitchen	5014
Bathroom	4477
Heating	4626
Controlled Entry	439 Blocks

3.3 Outstanding Investment Requirements

Based on this information SID has been updated to show the costs attached to each element of the SHQS for each year up to 2015. The Capital Estimates for the same period have been compared to this in order to identify discrepancies and highlight areas for more in-depth surveys. Compared to the £140.8m initially identified for the ten year period there is now £90.14m in the Capital Estimates for 2010/11 to 2014/15 to bring core stock to SHQS. This equates to approximately £18m per annum vs £14m per annum at the time of submission, due to the following:

- Kitchen and bathroom upgrade programme did not start until Year 2 of the ten year plan
- Building indices have increased since 2005 and there was no allowance for this in the original plan as per guidance.

- Council policy is to replace the whole kitchen where elements fail the standard. This is in order to avoid double work where a kitchen is both repaired then later replaced during the initial SHQS period.
- The heating replacement cycle was previously 10-11 years because of issues with boiler quality. As there is now a supply chain partnership in place the cycle is now 15 years which is still less than SHQS standard of 20 years, but 15 years is the industry standard and it would be a false economy to lengthen the replacement cycle more. We are also investigating alternative, more energy efficient, heating systems.
- Roofs are being fully replaced rather than patched so there is considerably more in the estimates than in SID. However, carrying out full replacement means there has been and will be a considerable reduction in repairs and maintenance spend on roofs. In addition there are elements which are rechargeable to owner occupiers and this returns to the budget as income.

3.4 Priorities, strategies and exemptions

The priorities are:

- Full roof replacements on a fifty year cycle
- External insulation (for energy efficiency and dwelling integrity)
- Efficient heating systems
- Bathroom and kitchen replacements where SHQS is not met

Our strategy for delivering the SHQS takes into account the following:

- There is the significant investment need specified that occurs post 2015. After 2015 it is not an option to have stock that fails the SHQS. Therefore, some investment has been brought forward pre 2015 to "flatten out" the programme. This is particularly true of the heating replacement programme where replacements will be required post 2015 for the large concentration of boilers that were installed in the early 2000s as part of the Scottish Executive Central Heating Initiative. The increased spending now will prevent an issue of SHQS failure post 2015.
- In order to minimize disruption to tenants, some heating replacement and electrical upgrades have been brought forward from post 2015 so they can be carried out at the same time and kitchen and bathroom upgrades. This also leads to more efficient use of resources.
- Some SHQS elements identified for expenditure fall under planned or cyclical maintenance and are funded from the Planned Maintenance section of the Capital Estimates so do not fall within the sum allowed for meeting the SHQS. This work includes common areas made good and safe, front and rear doors, rainwater goods and common windows.

Exemptions will be sought for elements where, as per the Standard Delivery Plan guidance, owners have refused to contribute to improvements to common parts, in particular door entry systems. In order to increase the number of owners agreeing to door entry system installation we are moving to a fixed cost system with a fixed grant in order to minimise the financial uncertainty for owners.

In addition, exemptions will be sought where the cost of bringing an element to the SHQS is disproportionate to the anticipated lifetime of the property. This will include the cost of energy efficient measures particularly in multi storey blocks.

However, guidance on exemptions has not yet been issued.

3.5 Procurement and Best Value

In conjunction with the Root & Branch review, lean service reviews have been undertaken for various elements of the SHQS including the roofing programme and the heating, kitchen and bathroom programmes. The outcome of the service reviews has been to develop partnering contracts within a Partnering Framework to obtain value for money. The Council has also entered into supply chain partnering for gas central heating boilers and kitchen units. Other strategies to ensure value for money include:

- Unit rate contracts
- Market testing on a proportion of contracts
- Monitoring and evaluation of all contracts and tracking patterns of expenditure
- Benchmarking with other local authorities
- Securing alternative funding streams eg CESP funding for external insulation, fuel switching initiatives and added value from supply chain partners

4. FINANCIAL PLAN TO MEET THE SHQS

4.1 Income and expenditure

At the time of agreement to the original Delivery Plan in 2006 it was concluded that £140.8m was required to bring the Housing stock up to the Standard by the 2015 deadline. Of this £140m approximately £34m was anticipated income from Right to Buy sales, and approximately £30m was expected from the sale of land on the Housing revenue account. This left £76m to be funded from Prudential borrowing.

In addition to SHQS expenditure further Capital funding is necessary to fund programmes not covered by the Standard for example New Build, Disabled Adaptations, and demolitions. These programmes are funded by a mixture of Capital Funding, Planned maintenance (Revenue) and limited Scottish Government grant funding for new build. Since 2006 this has increased the projection of Prudential borrowing required for an adequate level of investment in the Housing stock.

The latest expenditure projection for meeting the SHQS has been approved by Policy and Resources Committee through the Five Year Housing Capital estimates. For the remaining 5 years of the plan approximately £90m will be spent on bringing the stock up to standard with a further £33m being invested over the same period in non SHQS works through the Capital budget.

Over the period of the Delivery Plan to date financial scenarios have been updated due to the recent economic situation and the resulting credit crunch. As a result of the economic situation there has been a significant reduction in sales of Council housing through Right to Buy and the projections in the latest financial plan take account of this. There has also been a reduction in the sale of land and targets have not been met over the last two Financial years therefore the profile of land sales over the next 5 years has been amended to take account of this situation and this has resulted in some sites being delayed for sale to later years in the plan when the economic situation should have improved and greater confidence has returned to the housing market. The projected income from land sales has also been reduced by £800k to take account of these factors. The table below shows the impact of reducing receipts up to the end of year 5 of the plan compared to original projections in 2006.

SHQS INCOME

	Projected income to 2009/10 £Ms	Actual income to 2009/10 £Ms	Variance
RIGHT TO BUY/LAND SALES	£38.897m	£34.425m	-£4.472m

Information on expenditure within the same period is shown below;

SHQS EXPEDITURE

	Projected expenditure to 2009/10 £Ms	Actual expenditure to 2009/10 £Ms	Variance
SHQS Expenditure	£70.400m	£89.214m	+£18.814m

Taken together these two tables demonstrate an overall variance of £23.286m since the original SDP in 2005.

If the same tables are Projected to 2015 the results are as follows.

SHQS INCOME

	Total to 2015 as per 2005 SDP £Ms	Updated Projections June 2010 £Ms	Variance
RIGHT TO BUY/LAND SALES	£64.306m	£72.948m	+£8.642m
BREAKDOWN			
RTB	£33.875m	£43.290m	+£9.415m
LAND SALES	£30.431m	£29.658m	-£773k

SHQS EXPENDITURE

	Total to 2015 as per 2005 SDP £Ms	Updated Projections June 2010 £Ms	Variance
SHQS Expenditure	£140.400m	£179.354m	+£38.954m

The overall variance projected to 2015 from the original position in the SDP 2005 is in the order of £30m. A number of factors are behind this increase;

- Considerable Non SHQS expenditure counted in the figures pre 2010, for example the build of two new District Housing Offices and the New Build and Demolition expenditure in 2009/10.
- The reduction in the number of at risk stock between 2005 and 2010 will result in investment to bring 10 Multi Storey blocks up to standard + other tenemental stock that has reverted to core stock
- The introduction of the Shower programme in 2007 has led to 1,210 showers being funded from the Capital budget
- The increase in the Building cost indices since 2005 has to be taken into account as these feed into Contract costs.

4.2 Prudential Borrowing

The implications of additional expenditure over and above that projected in 2005 and the possibility that not all receipts expected to 2015 will materialise may mean additional borrowing will be required to fund the SHQS. This in turn will affect the ratio of debt servicing to rental income. In the 2005 SDP this peaked at 42% in 2014/15. The latest projections are for this figure to peak at 42.5 % in 2013/14 before falling back to 41.7% in 2014/15. In 2005 2 years showed above 40% on this ratio whereas the latest projections are for 3 years above 40% in the lead up to 2015. Therefore this is broadly in line with the original submission.

4.3 Rental income

The original SDP position on rents was that they should be set at 1% over inflation (as calculated on the basket of indices including RPI, produces prices index and Council pay award) with the proviso of a minimum 4% annually. This position was agreed at the time by the Housing Investment working group which included representation from Tenants and elected members. The latest financial projections to 2015 suggest Rent increases for the final 4 years of the plan of;

- 2011/12 4.5%
- 2012/13 4.5%
- 2013/14 4.5%
- 2014/15 3%

These increases are based on the assumption that annual inflation to 2015 will be 2.5%.

This is an indicative position of the requirements for the SHQS and has not taken into account the many other factors that influence the level of rents within the HRA.

This position will be fed into the Rent setting process for 2011/12 that will begin in the autumn of 2010.

4.4 Options for delivery

4.4.1. Shower Programme

The programme for installation of showers was agreed by Housing, Dundee Contract Services & Environment Services Committee in 2007. The programme relates to those instances where a shower is desirable to meet the needs of those tenants with a disability or medical need where a recommendation for such an adaptation has not been recommended by the Social Work Department due to the dwelling not being sustainable for people with a disability i.e. not rampable.

The Policy also provides for those who wish to have a shower installed as a lifestyle choice either when the Kitchen and Bathroom programme is due for their home or as part of the individual house programme.

The cost of these showers is borne by the housing Capital budget through Prudential borrowing but is recouped through an increased rental charge for those tenants who benefit of £10/week for a level access shower and £5/week for a shower cubicle or overbath shower.

The impact of this programme financially is to increase the debt servicing to rental income ratio, even though the debt servicing costs are covered by the income generated through additional rental income.

The impact of the policy has been discussed during the consultation period for this review with tenants and the recommendation is that the present Policy should be amended.

The proposal is;

- the current shower policy should stop at the end of Financial Year 2010/11.
- a reduced programme of installations met by £5/£10/week additional rent charges for those with particular medical needs be continued with an annual capital expenditure limit.
- that the current additional rent charges continue to apply to those properties where showers have been installed with repair and replacement continued over the lifetime of the property.
- that an alternative method of installation of showers for those tenants that choose this as a lifestyle choice is researched and if deliverable proposals developed for consideration.

4.4.2. Acceleration of Kitchen and Bathroom programme

During consultation with tenants the option of accelerating the kitchen and bathroom installation programme was discussed. The proposal was that 3,000 kitchens be brought forward in the programme of works by approximately 18 months to facilitate early completion of the programme to be paid for by an additional rent increase over the 4 years to 2015, or a one off higher increase in year 1 followed by the agreed increases in the following years.

Following discussions with the Tenants focus groups and in workshops at the Tenants Conference it is proposed not to pursue this option.

4.4.3. New Build Programme

The New build policy agreed in 2007 allowed for a programme of 135 homes. Since that date 33 have been purchased on the open market and the Council are building 69 units, 29 of which are housing for wheelchair users. The balance of 33 units were to be provided in 2011/12. However given the pressures on the capital budget the revised commitment is to provide eight units (eight) in 2011/12 with the remaining mainstream housing being built over 2013/14 and 2014/15. This position was agreed as part of the Five Year Capital estimates by Policy and resources committee in June 2010.

As part of the Root & Branch Review Tenants Conference in June 2010 tenants were asked for their views on the new build programme. The view that prevailed is that Housing Associations and the Council should plan together for new housing under the Lead Developer arrangements to be put in place from Autumn 2010. Most tenants felt that the council should provide housing for wheelchair users in co-operation with Housing Associations as they get a higher subsidy per unit. There is no apparent support for the Council continuing to build mainstream housing.

4.4.4 Exemptions

The result of Tenant consultations on this issue is that the Council should apply for exemptions where for example owners do not agree to contribute to improvements or where the costs of meeting the SHQS would be disproportionate; this may be the case in multi storey blocks where there are issues with energy efficiency. However the guidance from the Scottish Government is still awaited.

5. CONSULTATION

In line with the guidance on preparation of the Standard Delivery Plan, tenants have been consulted on revisions and updates to the SDP and every opportunity has been made to involve tenants as fully as possible as the plan has been implemented and revised over time.

This consultation has consisted of:

5.1 Formation of a Dundee City Council / Dundee Federation of Tenants Associations Working Group

- Initial meeting between DFTA, DCC officers and independent advisor from Tenant Information Service in March 2008
- Remit for the study agreed
- Presentation to Tenants Forum and Steering Group established (tenants and officers and TIS)
- Tours of the city by Tenant members of the Group July 2008 and September 2008

5.2 Establishment of a Focus Group (merged with Steering Group)

Monthly meetings have been held since 25th July 2008

- Learned about the Root & Branch Review and SHQS in more detail
- Shared information with other tenants through DFTA and other Resident Associations and feedback other opinions
- Offers opinions on what should happen in the Review
- The Focus Group has been supported by TIS as independent advisors.

5.3 **Best Value Review Groups**

July 2009 and June 2010

- Report on progress towards the SHQS to group of interested parties including cross party elected members, DFTA, Focus Group, tenants, TIS and Shelter
- Opportunity for discussion on risks to delivery, exemptions, options for different parts of the programme etc

5.4 **Tenants' Conferences**

February 2009 and June 2010

- To ensure a better understanding of SHQS within the wider community
- To inform attendees of progress made toward the SHQS
- A platform for TIS to put forward their views to the attendees
- To explore issues raised for discussion through the Focus Groups and to ascertain the views of the attendees on the issues raised

5.5 **Tenants' Conference Bulletins**

- Bulletins distributed to Libraries, Sheltered Complexes, Registered Tenant Organisations, and DFTA mailing list.
- Explain to all tenants the issues discussed and decisions made at conference (both DCC & TIS viewpoint)
- A tear off slip gives tenants the opportunity to raise issues, comment, or get involved.

5.6 **Tenants' Area Forums**

- Six area forums have been held or programmed, two in each of three areas of the city
- To inform attendees of progress and issues regarding SHQS
- Give opportunity to discuss progress and the way forward with tenants.

5.7 **Tenants' Fayre**

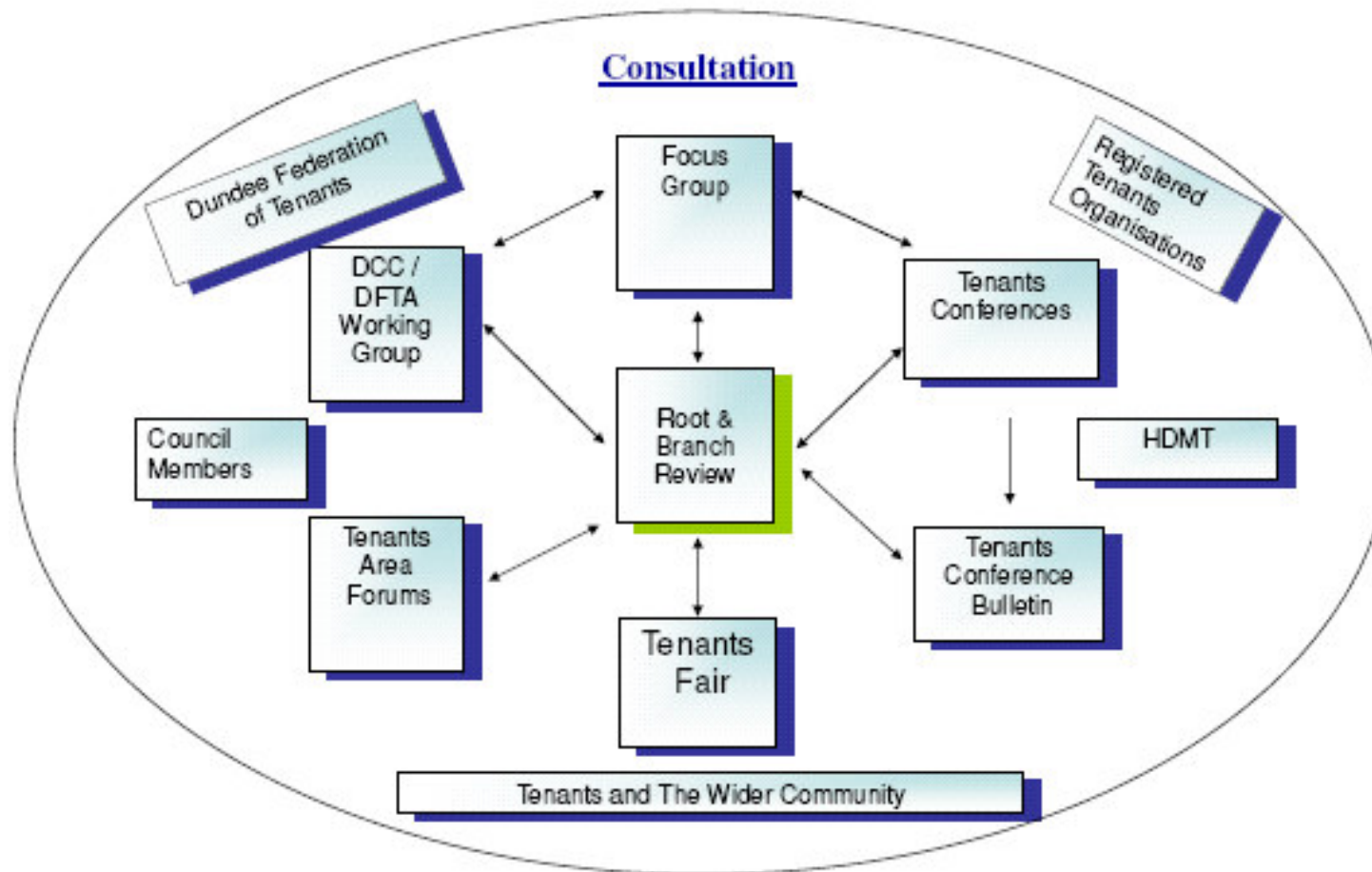
August 2009 and August 2010

- Information available at the Fayre on progress towards the SHQS by 2015
- Question & Answer session with members of Housing Department Management Team

5.8 **Summary**

Consultation with tenants has been crucial in the development, revision and implementation of the Standard Delivery Plan to meet the Scottish Housing Quality Standard by 2015. They have been supported by TIS as independent advisors and this has included the services of a financial advisor.

The views of tenants has been fundamental in decisions taken about certain elements of the delivery of the SHQS including whether to bring forward kitchen and bathroom upgrades, the timing of the roof renewal programme and exemptions. Discussions about the overall capital programme which include non SHQS elements have contributed to the investment need priorities and financial planning.



6. RISKS TO DELIVERY OF THE STANDARD

6.1 During the formulation of the original Delivery Plan in 2004 through to successful submission in 2006 a number of risks were identified that could potentially threaten the achievement of the SHQS by 2015. The Plan was assessed at the time by Communities Scotland as being high risk with no contingency plan in place. The risks identified at the time were

- Roofing programme, ongoing condition and deterioration of roofs
- Increase in Loan interest rates
- Surplus Housing/Demolitions
- Tenants views on the plan
- The impact of owner occupiers
- Levels of Right to buy sales
- Contractual issues
- Survey anomalies
- The Ardler debt
- Changes in demand
- Tenants aspirations
- Changing economic circumstances
- New build housing targets

Many of these risks are still present at the time of this review and form part of the Risk assessment matrix which is monitored on a regular basis by the SHQS Project Board. However risk has been mitigated in some areas over the period of the plan to 2010 but new risks have also been identified and have been added to the matrix. Risks that have been mitigated are;

- Roofing programme, as there is now a citywide condition database and timetable for renewal and inspection. The risk of roof failures at 2015 is now minimal
- Increase in loan rates - the council now has favourable fixed term loan rates for the duration of the SHQS period and beyond taking advantage of the low interest rate environment presently with us.
- Tenants views on the plan - substantial consultation has taken place during the Root and Branch review including Focus groups, Dundee Federation of Tenants Associations, two Tenants conferences, and a tenant's fayre.
- Survey anomalies - a Stock information database is now in place based on a 30% sample stock survey and the database is being updated with real information and new installations on an ongoing basis and a validation exercise is planned.
- The Ardler Debt on the stock that was transferred to Sanctuary HA has now been repaid

- Changes in Needs and Demand for socially rented housing stock in Dundee - a Needs Demand study carried out in Dundee was reported to Committee during 2009 and the results of this study have been fed into this review. The main impact of this has been to recalibrate the potential size and location of "at risk" stock within the City. The numbers of stock identified as surplus/possibly at risk is now 322, a reduction from the figure of 1341 in the original Delivery Plan. The lower figure has provided the basis for the revised financial plan in this report.

6.2 Risk Matrix

The risks that remain from the 2006 Delivery Plan form part of the revised Risk matrix with the addition of risks that have been identified post 2006. The matrix is appended.

However the main risks running through the matrix remain those related to changed economic circumstances and in particular levels of Capital receipts from Land sales and Right to Buy sales not reaching levels forecast in 2006. These levels have been updated to reflect more realistic aspirations and timetable in the updated Financial Plan. However this has resulted in increased levels of prudential borrowing which may push the levels of debt servicing to over 40% of rental income in the run up to 2015. This increasing level of debt is now rated as an Amber risk in the Risk matrix.

Other risks which may provide cause for concern are the affordability of rents for tenants. The levels of rent rise required to service increasing levels of borrowing will be kept under close scrutiny and may require efficiencies in other areas of the service to compensate.

The impact of ex Council house owner occupiers is also rated as an Amber risk at the present time. This relates to improvement works which are required to meet the SHQS over which owners have the power of veto. The most significant of these is the Controlled Entry programme in mutually owned closes. Almost all of tenanted only closes have now been completed and owners in blocks where there are 1 or 2 owners have been asked if they wish to participate in the programme but very few owners have agreed at this point in time despite a package of fixed costs and Grants being offered by the Council. An exercise is about to begin which will involve writing to every Council owned close with owners in order that the impact of non agreement can be gauged. Crucially if agreement levels do not increase then this will place a ceiling on SHQS compliance of 60% of the Councils stock.

The final risk that is placed at Amber is that of Technical Standards which relates to outstanding guidance on the SHQS from the Scottish Government particularly with regard to parameters for seeking exemptions from certain parts of the standard.

The Council assumes it will be in the situation where exemptions have to be sought for areas such as Controlled entry installation where the agreement of owners has not been forthcoming. Until such guidance is received this risk has to remain at Amber and will be monitored as such.

6.3 Shower Programme

The shower programme in its present form was agreed by Housing, Dundee Contract Services & Environment Services Committee in June 2007. The purpose of the Policy was to allow those tenants who had a range of disabilities but did not qualify for shower installation under the Disabled Adaptation programme to have showers fitted under the Capital programme. Tenants who benefit under this programme are asked to pay an increased rent £5 for an overbath shower or cubicle and £10 for a Level access shower. These costs are covered by Housing Benefit for those that qualify.

Since the Policy was launched it has been extremely popular with around 1200 tenants benefiting to date. However there is a cost to the HRA of this programme, and despite the income from increased rents covering the cost of installation, the funding still has to be found through prudential borrowing. The result of this is that the debt to income ratios increase still further.

There are also concerns from Tenants that the costs through rental are inequitable and often payable by those with disabilities. As a result of this it is recommended that this programme ceases with effect from the 2011/12 Financial year although those tenants that have already benefited from the Policy would continue to pay through their rents.

6.4 New Build

A further potential risk to delivery is the New Build programme agreed by the Council in 2007. Over the period to 2011/12 the original plan was to provide 135 new houses for the City. This was to be funded by a mixture of Prudential borrowing partly serviced by receipts from the sale of council homes on the open market and Scottish Government grant for housing for wheelchair users. Rents for the new homes have been modelled so that they are self financing and all associated loan debt is paid off over a 30 year period. The initial tranche of 33 houses were purchased off the open market direct from a developer who was experiencing difficulties with sales due to the economic situation. A further 69 houses are due for completion before 2015.

As a result of this review and taking into account the views of tenants through the consultation process it is proposed that the remainder of the New build programme is rephased with eight homes to be built in 2011/12 with the balance of the programme being funded in 2013/14 and 2014/15.

The Director of Housing will investigate alternative delivery methods for remaining new build housing.

7. SUMMARY AND CONCLUSIONS

- 7.1** The Council is now just over halfway through the timescale for meeting the Scottish Housing Quality Standard. This review was originally timetabled for April 2009 and was initially a local agreement with Communities Scotland at that time to give all stakeholders comfort that the council was on target to meet the SHQS given that the plan at that time was perceived to be high risk.

The concept of a review has now been applied to all Councils and RSLs and is due to be with the Scottish Housing Regulator in the Summer of 2011 having originally been delayed to June 2010 from April 2009.

This report sets out the work undertaken during the review to date including the implications for the HRA capital programme and outlines annual rent increases to 2015. These outcomes form the basis for annual rent increase consultation going forward.

- 7.2** The conclusion of the Review as shown in the report is that the Council is still on track to meet the SHQS by 2015, however this is qualified by the number of risks to delivery that are still apparent, for example the possible shortfall in receipts from land sales. These risks are being monitored on a regular basis and if realised plans will be produced for mitigation. In the case of financial shortfalls this will inevitably have implications for rents and levels of prudential borrowing. Any changes will be closely scrutinised and discussed with tenants before implementation.
- 7.3** It is likely that large numbers of exemptions will be applied for, this is particularly the case where owner permissions are required in for example secure entry projects. At present 1000 closes citywide have mutual owners where this may be an issue. An exercise is currently underway to contact all owners in these locations to gauge how big an issue this may be for the Council. Guidance is still awaited from the Scottish Housing Regulator (SHR) on the issue of exemptions so at this stage the possible impacts for the Council cannot be predicted with any certainty however many other councils and RSLs have similar issues and these have been relayed to the SHR. Once guidance is forthcoming the Council reflect this in its submission to the SHR in 2011.

APPENDIX: Risk management matrix

	Risk	Nature of risk	Risk Controls	Target	Probability	Severity	Overall Assessment	Principal Risk Owner
1	Meeting SHQS delivery timescales - 2015	Timescales not being met due to target annual completions not being achieved	Monthly and annual monitoring of completions. Root and branch review underway including analysis of progress to date and review of SDP to ensure delivery by 2015.	Compliance with annual targets	2	5	10	HCIMT
2	Escalating programme costs exceed project cost estimates	Costs have been calculated with increases relating to actual costs and building indices.	The Council has entered into partnering contracts to obtain value for money. The Council has also negotiated supply chain partnering for gas central heating and kitchens. Pilot unit rate contracts now being evaluated. It is anticipated programme costs may escalate as the economy recovers.	Project costs within levels assumed through SID	4	3	12	HIM
3	Contractor capacity	Cost increasing due to lack of contractor competition. Present contractors unable to deliver higher levels of installations should programme be increased annually.	Long term arrangements with a range of contractors. Continue to ensure good communication through partnering arrangements.	Number of contractors	2	2	4	HIM
4	Level of capital receipts are lower	Allowances from the receipts from land sales	The current SDP assumes that £30 M will be achieved from land	£30M land and RTB	4	4	16	HIM/HCIMT

	than forecast	are based on advice from City Development and DV valuations. Factors controlling the values are dependant on the marketplace and susceptible to change.	sales. Demolitions may be delayed due to re-housing difficulties. Credit crunch / current market conditions may adversely affect capital receipts. Land sales will have to be continually monitored and reviewed particularly in the light of the present land and property market conditions. Prudential borrowing may need to increase in short term due to delay in capital receipts.	sales as per SDP				
5	Right to buy	The SDP relies on realising capital receipts from house sales and the profiles are based on past trends in sales and prices achieved. Sales trends may be affected by the current market and the ability of prospective purchasers to obtain mortgages.	DCC has approved home loans for purchasers of council houses and last in block sales. Trends in RTB sales require to be continually monitored. Process RTB applications and complete sales quickly (target 80% within 26 weeks). The Scottish Government proposed changes to the RTB in the Housing Bill are unlikely to have a significant impact until after 2015.	As per SDP target	3	3	9	HIM/ HCIMT
6	Prudential borrowing required to meet SHQS	Increasing interest rates could adversely affect delivery of the programme.	Debt per house meeting prudential code impact of demolitions and reducing stock / debt per house. Monitor interest rate movements. Interest	Interest rates as per SDP	3	3	9	AB

			rates at which the Council can borrow are forecast to remain low for the next 2 years.					
7	Rent levels	The present plan aims to deliver the 'Dundee standard' within the rent policy of inflation + 1%. Should tenants aspirations rise above this standard tenants may or may not accept higher rents to deliver the standard. There may be other pressures arising over the period of the SDP which may necessitate additional rent increases.	Assumption that rents will increase by inflation (calculated on a basket of indices + 1%) over the life of the SDP. Under the SHQS review we aim to agree minimum level of rent increase required to 2015 to ensure that SHQS is delivered. Rent increase of 4% for 2010/11 implemented.	RPI + 1% (assume min 4%)	4	4	16	HCIMT
8	Management costs	Management costs increase against a background of demolitions and decreasing rental income. e.g. pay awards/increasing staff levels.	Monitor management costs closely. Ensure management costs continue to decrease over time. Ensure best value by re-allocating resources as necessary.		2	2	4	AB
9	Root and branch review and the tenants response	DFTA/tenants may not agree with the findings of the root and branch review.	Ensure that there is detailed consultation, input and discussion with interested parties throughout the process. Tenant conference held in February 2009 ensuring a wide range of stakeholders are involved.	DFTA/Focus groups and tenant conference	2	2	4	SHQS Liaison Group

10	Information on investment needs required to meet SHQS	Inaccurate/incomplete stock information	Council undertook a stock condition survey in 2007 (30%). This information has been further analysed in order to cleanse 'cloned' data. Completed work from investment programmes is continually updated within the system to ensure the development of a comprehensive stock information database to track progress on achieving SHQS and future lifecycle maintenance plans. The database enables future scenario planning.	Ongoing - updating of information held within per SID. Completion of investment requirements as per SID	2	3	6	HIM
11	Housing need and demand for council housing in Dundee and demolitions	Demolitions have been planned on the planned re-housing strategies for the properties to be cleared. Blocks may empty ahead of schedule or demolition may be delayed due to difficulties in re-housing occupants. Slippage in the demolition programme may mean deferred demolitions and delay site disposal. Alternatively blocks emptying ahead of schedule may mean increased vandalism and increased security costs.	The Council commissioned Craigforth to undertake an affordability, needs and demand study in Oct 2007. This report has now been finalised and provided to the Council. The outcomes from the study along with internal analysis of housing management data will assist in determining supply, demand and stock performance issues and in determining investment needs and priorities.	Core stock identified	2	3	6	SHQS liaison group



11	Delivery of the investment programme - quality issues	The council aims to provide high quality of internal improvements e.g. individual kitchen design and options for shower installations	Introduction of long term supply chain partnerships - central heating boilers and kitchens to ensure high quality components with low failure rates and maintenance costs. Ensure continuing high quality staffing input via PO's and Asst PO's, ensure compliance with contractor's code of conduct.	Maintain and increase customer satisfaction - (target 84%)/ monitor complaints monitor defects/ component failures	2	2	4	HIM
13	Roofing programme	Roof survey has detailed roofs which are graded 2.5 and 3 which are included in the re-roofing programme within the SDP. An allowance of £5m has been made should roofs in category 2 or less fail before 2015	Continue investment in roof replacement at current levels	No of completions/ no of urgent replacements	2	2	4	HIM
14	The impact of owner occupiers	Failure to gain the co-operation of owners in improvement works such as the installation of controlled entry could mean that the Council is prevented from being able to install controlled entry systems in common entrances with consequent failure to meet the safe and secure criteria	Cost and grant packages developed for owners. Target owners most likely to agree. Ensure development of Scheme of Assistance maximises potential for owners of former council houses to be assisted under the new scheme. Chart change of ownership. After Scottish Govt guidance is issued may have to consider applying for exemptions.	1400 installations. Possible exemptions	4	4	16	HIM

15	RSLs and development within Dundee	The re-housing of tenants within the demolition programme will be largely facilitated by the Council rehousing tenants within other Council houses. The reducing AHIP programme - £5.456m in 2010/11 will mean fewer completions in the RSL sector.	We will continue to re-house tenants in alternative council housing and work in partnership with RSLs in the City to co-ordinate new build programmes to meet rehousing needs. We will also ensure that Council's new build programme delivers houses to meet rehousing needs where possible. The Council will participate in the NHT scheme to provide houses for mid market rent subject to developer interest. We will promote a funding workshop with RSLs and developers.	Demolition of surplus and at risk housing within target timescales. Re-provision 200 new build units pa via AHIP. Complete council new build programme.	3	3	9	SHQS Liaison Group
16	Technical standards	Lack of guidance in relation to certain technical standards required to meet SHQS particularly on security and NHER and mechanisms for possible exemptions.	The Scottish Government has indicated that an annual update on SHQS progress will be required in September 2010. Further consultation on additional guidance is now scheduled for the summer of 2010. The Scottish Government comprehensive review of SHQS progress is now scheduled for summer 2011.		3	4	12	

Notes

Risk score determined through multiplication of probability and severity scores.

Risks prioritised using traffic light system:

Risk score:	1-9	Green		Risk adequately controlled
	10-19	Amber		Risk partially controlled
	20-25	Red		Further controls required

The potential to control the risks will be addressed continuously through the updating of the risk register. Most risks are capable of being managed - by controlling the probability or the severity of the risk. The timetable for review are as follows:

Red	Immediate
Amber	Within 6 months
Green	No specific action required. Risk adequately controlled at present.

Monitoring arrangements.

The risk register will be reviewed, updated and reported to the SHQS Project Board quarterly.