

<b>Subject:</b>	<b>Housing Revenue Account Capital Programme 2012-2015</b>		
<b>Date of Meeting:</b>	6 February 2012 - HMCC <b>9 February 2012</b>		
<b>Report of:</b>	<b>Strategic Director of Place</b> <b>Director of Finance</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Nick Hibberd</b>	<b>Tel:</b> 29-3020
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<b>Key Decision:</b>	<b>Yes</b>		
<b>Wards Affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report seeks approval for the 2012/13 capital programme and provides a provisional capital programme for the following two years, 2013/14 & 2014/15, for the Housing Revenue Account (HRA). The report takes into consideration the latest resources available and commissioning investment priorities.
- 1.2 The council's Housing Revenue Account (HRA) relates to the council's landlord duties in respect of approximately 12,250 properties and 2,250 leasehold properties.

**2. RECOMMENDATIONS:**

- 2.1 That the Housing Management Consultative Committee note the recommendation that Cabinet approves the capital programme budget of £27.229 million and financing for 2012/13 as set out in paragraph 4.1 and comments upon the proposals.
- 2.2 That Cabinet approves the capital programme budget of £27.229 million and financing for 2012/13 as set out in paragraph 4.1.

**3. STRATEGIC CONTEXT**

- 3.1 The 2012 - 2015 provisional HRA Capital Programme aims to balance the priorities of both the City Council and our residents to achieve a good quality, sustainable, and fit for purpose housing stock which delivers against emerging housing commissioning investment priorities as identified in the housing commissioning framework. The Capital Programme is developed within the context of the Corporate Plan 2011-2015, which sets out the council's strategic direction and priorities for the next four years, based around the five council priorities:
  - Tackling inequality

- Creating a more sustainable city
- Engaging people who live and work in the city
- A responsible and empowering employer
- A council the city deserves

- 3.2 This report outlines the strategic commissioning approach to the 3-year HRA capital programme giving details of proposed funding for:
- Non-discretionary spend – such as meeting health & safety legislative requirements and meeting the decent homes standard
  - Discretionary spend on projects to reflect tenant priority (such as Estates Development Budget)
  - Housing Commissioning Investment Priorities in accordance with the Housing Strategy and emerging housing commissioning framework

### **Housing Commissioning Investment Priorities**

- 3.3 Our strategic housing vision supports the 'Improving Housing and Affordability' priority set out in the city's Sustainable Communities Strategy *Creating the City of Opportunities* and is detailed in the *Housing Strategy 2009-2014: healthy homes, healthy lives, healthy city*, and the City Councils priorities as set out in the Corporate Plan. To deliver our housing vision we have 3 outcomes that reflect the basic housing needs of the city:
- Strategic Outcome 1: Improving housing supply
  - Strategic Outcome 2: Improving housing quality
  - Strategic Outcome 3: Improving housing support

- 3.4 In supporting these priorities the capital programme will focus on:

**1) Improving Housing Quality.** This includes non-discretionary expenditure on:

- Commitment to improve the quality of existing council homes through achieving the Brighton & Hove Standard (Decent Homes Standard plus) across the housing stock by the end of 2013.
- Lift replacement and modernisation programme.
- Investment in health and safety measures (asbestos, water management, fire safety).
- External repair and decoration programme.

**2) Improving Housing Supply.** This includes discretionary investment on:

- Increasing the supply of ready to develop housing sites and help address the city's affordable housing shortage through the Estates Master Plan.
- Bringing long term empty properties back into use.

**2) Tackling Inequality.** This includes the following discretionary investment:

- Increased investment in adaptations to make existing housing stock more accessible to residents with disabilities.
- Action to tackle over-crowding (through provision of loft conversion / extension programme).
- Tackling health inequalities through a strategic programme to tackle damp and condensation.

- Continuation of the tenant-led participatory budgeting approach to estate improvements through the Estate Development Budget.
- Investment in additional estate improvements which improve well-being (such as cycle parking and play facilities on estates).

**3) Creating a more sustainable city.** This includes expenditure on:

- Installing solar photovoltaic panels to help cut Carbon Dioxide emissions and reduce residents fuel bills
- Continuation of the programme to install modern, high efficiency Domestic Heating & Hot Water systems.
- Replacement of communal heating and hot water systems (using renewable energy where practicable).
- Insulation improvements (cavity wall and loft insulation top ups).
- Over-cladding projects to improve structure and thermal insulation.
- Continuation of upgrades and efficiency improvements to communal lighting.

#### 4. FUNDING 2012/13 CAPITAL PROGRAMME

- 4.1 The programme is funded from a variety of sources including revenue surpluses, general reserves, borrowing, capital receipts from leasing properties to Seaside Community Homes and Right to Buy sales and grants. The proposed programme for 2012/13 and the funding arrangements are outlined below. This programme does not include any reprofiling identified from the 2011/12 targeted budget monitoring.

	<b>2012/13 Budget £'000</b>
<b>EXPENDITURE</b>	
Non Discretionary Spend:	
Health & Safety	6,602
Decent Homes Work	17,278
Discretionary Spend	2,349
Commissioning Priorities	1,000
<b>Total Programme</b>	<b>27,229</b>
<b>FUNDING</b>	
Revenue Contribution to Capital	18,084
Capital Receipts	5,097
Other Grants - CESP	80
Reserves	3,968
<b>Total Funding</b>	<b>27,229</b>
<b>Projected Capital Reserves at 31 March 2012</b>	<b>1,254</b>

- 4.2 The 2012/13 budget assumes that there will be a slight increase in capital receipts from 'right to buy' (RTB) sales to £0.100 million, reflecting Ministers proposals to raise the cap on right to buy discounts to make them more attractive to tenants.
- 4.3 The level of capital receipts available during 2012/13 from the leasing of properties to Brighton & Hove Seaside Community Homes are projected at £4.997 million which have been applied to the capital programme to fund

Decent Homes work.

- 4.4 Grant income includes assumed funding from the national scheme, run by utility companies, called Community Energy Saving Programme (CESP). The funding is generated from works that bring about carbon use reductions in the housing stock.
- 4.5 Capital reserves at 31 March 2012 are projected at £1.254 million which are available to fund any unforeseen works, future housing commissioning framework investment priorities or the 2013/14 capital programme.

## **5. CAPITAL PROGRAMME 2012-2015**

- 5.1 The investment programme for 2012/13 is £27.229 million and is detailed in Appendix 1, along with the provisional programme for the following two years.
- 5.2 The 3 year Capital Investment Plans provide the council with long-term works information which will enable the council to build, achieve and sustain consistently high levels of customer service, to both general housing and sheltered homes across the city. This plan will help to build on the progress already made ensuring proactive, efficient and effective pre-planning, as well as continuously improving resident liaison and overall engagement. The plan effectively supports the council's commitment to communicate plans and intentions, and further develops one of the key objectives of transparency.
- 5.3 This 3 year plan takes its lead largely from that consulted on and agreed last year, giving a consistent strategic approach, and assisting with achieving programme delivery. Outline plans are currently being developed into meaningful geographical areas of work programmes with indicative timelines to foster improved resident communication, and understanding, of our major works plans across the city. Once these plans are finalised over the coming weeks, further details will be reported to Area Panels and individual associates as appropriate, to discuss the capital investment programme further. Details will also be published on the council's website, as usual, as soon as possible, to ensure full access to information. A high level of resident liaison and involvement in the earliest phases, and throughout refurbishment programmes is supported through the agreed processes now in place with Mears.

### **Proposed non discretionary spend**

#### **1) Health & Safety compliance**

- 5.4 Health & safety works remain the key basic requirement for ensuring the wellbeing of all residents, visitors and those working on housing assets. This area of works includes door entry systems, lifts, ventilation shafts, dry risers, fire alarms, lighting, structural works and damp works
- 5.5 The 3 year programme includes substantial investment in lift replacements, and this budget has been increased to reflect tenants support for completing the lift replacement programme as soon as is practical. The increased funding reflected in this programme will enable the programme to be completed within 7 years rather than the original plan of 10 years. Over the next year, replacement and upgrading will focus mainly on the replacement of the lifts in the Albion Hill high-rise flats and beginning upgrades in the Bristol Estate.

- 5.6 Fire Safety and Asbestos management budgets throughout the period reflect the need to support good levels of risk management in these key areas. In many cases, such as the door replacement programme, highly secure and fire compliant doors are being fitted, which also reduce drafts and improve energy efficiency for residents.
- 5.7 The Minor Capital works budget includes minor capital works, a provision for programmed works identified by residents requesting repairs and a sum for surveys and preparatory works.
- 5.8 The budget now includes a separate programme for tackling condensation and mould growth. This is a potential health hazard, and works in these areas will be combined alongside the cyclical area-based investment programmes. Fire Safety and Asbestos management budgets throughout the 3-year period reflect the need to support good levels of risk reduction in these key areas. Other budgets for ensuring water safety and the security of residents, for example through modern, well maintained door entry systems, make up the key ongoing budgets in this area.

## **2) Decent Homes and beyond decent homes**

- 5.9 The capital programme reflects the need to meet the Decent Homes target by December 2013. Works to improve homes include ensuring that internal elements such as kitchens, bathrooms and rewiring, as well as external elements such as doors and windows, all meet the benchmark standard. Additionally, basic health and wellbeing requirements are assessed, and the required safety levels met. By 2013/14, with decency achieved, the capital budgets reduce to a level that provides funding for those properties falling out of decency and for further investment in areas that provide comfort and security and improve energy efficiency. For example upgrading and improving main entrance door sets in blocks of flats and installing high efficiency boilers.
- 5.10 The capital programme reflects a commitment to improving the energy efficiency of the housing stock across. The budget reflects an increase of funding to bring forward communal boiler replacements (where practical and deliverable) that were planned in the next few years in order to improve energy efficiency and thereby reduce residents communal heating costs. Over the next 2 years this includes boiler replacements or upgrades at Nettleton & Dudeney, Jubilee Court, Rose Hill Court, Hazelholt, Manor Paddock and Lingfield Court, where required. In addition, projects will look to integrate renewable energy improvements, such as solar thermal hot water, where practicable, as part of these projects.
- 5.11 Other energy efficiency improvements include:
- survey and installation of cavity wall insulation and loft insulation top ups to 270mm, where construction types and location allow it
  - Over cladding to provide the benefits of improved insulation to residents, such as, potentially, Hereford Court and the Bristol Estate during the 3-year programme, subject to detailed surveys, and the need to integrate these types of work with other required major works, to help ensure value for money.
  - a large scale wiring programme to upgrade and improve communal lighting and controls, is underway. The 5 Clarendon Road high-rise blocks, and most of the Bates Estate are examples of areas already benefiting from this programme.

## **Proposed Discretionary Spend**

The capital programme has been proposed with the inclusion of the following discretionary items of spend:

### Estate Development Budget (EDB)

- 5.12 The Estate Development Budget is included at £0.540 million per annum. Working collectively with our residents and Mears, officers wish to explore ways of returning even greater value for money and levels of customer satisfaction. EDB bids will be integrated into larger planned programmes of works, where it makes sense to do so, in order to achieve greater economies of scale and therefore get more for EDB money.

### Improving adaptability and accessibility

- 5.13 The disabled aids and adaptations budget has been increased by £0.100 million per annum to £0.850 million to reflect the growing need for adaptations to help residents to live comfortably in their home as circumstances change.

### Conversion and Extension of Existing Dwellings

- 5.14 The 3 year capital programme includes a programme of loft conversion and extensions to help alleviate overcrowding in some homes. This budget will provide up to 10 conversion or extensions per annum.

### Fencing

- 5.15 This budget provides for a strategic approach to improving fencing across the city. Fencing has been identified by residents as an area where greater resources should be allocated based on safety and security needs and a policy will be developed to reflect this.

### Cycling Facilities

- 5.16 This proposed budget supports sustainable lifestyles by allowing communities to identify and install improved cycling infrastructure, such as secure, dry storage facilities and lighting.

### Estate Services Vehicles

- 5.17 The 2012/13 budget includes the purchase of 14 vans and 2 bulk trucks for the Estates Service. The current fleet of vehicles are in excess of 5 years old and need to be replaced to ensure the Estate teams can meet their service pledges to the council tenants. An options appraisal has identified that the purchase of replacement vehicles provides is the most cost effective option, with the purchase of the vehicles through the council's corporate vehicle procurement route with the aim to reduce our CO2 emissions, fuel costs and environmental obligations by taking the option of diesel driven engines.

### ICT

- 5.18 Investment in ICT continues to be key to improving the council's online offer to residents by expanding the range of fully web-enabled transactions and support residents to self-serve and access services more locally. The budget has been reduced compared to previous years but provides for upgrade and improvements to the current Housing Management and Customer Online system and additional modules required for the Asset Management system.

## Housing Commissioning Framework Investment Priorities

- 5.19 The Localism Act will introduce a new system of self financing for the HRA from April 2012 which is explained in detail in the Housing Revenue Account Budget 2012/13 report (Appendix 2) also on this Agenda. Self financing will provide additional resources from the retention of all rental income and through greater control locally will enable longer term planning to improve the management and maintenance of council homes.

### Solar PV

- 5.20 As part of self financing – and in order to limit national borrowing in the current economic climate - the government has introduced a cap on the amount of borrowing for each local authority. For Brighton & Hove, subject to affordability, there is the opportunity to borrow up to a further c£29 million for investment priorities. Within this figure, up to £15 million of borrowing was agreed by Cabinet on 22 September 2011 for the installation of Solar Photovoltaic Panels on council housing stock. Cabinet received an update on the plans to implement Photovoltaic Solar Panels (PVs) for non-housing properties on 19th January 2012 which provided an update on the government's consultation on proposed changes to the Feed in Tariff (FIT) regime. This also has a significant impact on the plans for housing properties. The original FIT rates provided a positive Net Present Value (NPV) return of £9 million over 25 years and surpluses from year 1 which included paying the borrowing costs and it was this information that supported the recommendations in the September Cabinet report. Various scenarios have been modelled based on the original installation costs and lower cost assumptions with the reduced tariffs of 21p and 16.8p and in all scenarios the NPV returns have now turned to a deficit, ranging from £2 million to £8 million over 25 years. Further to this, the reduced tariffs now mean that surpluses are not generated until year 17, that is when the borrowing costs have been repaid. Therefore on these assumptions, there is an annual deficit which would need to be funded from the revenue budget over 16 years which ranges from £0.300 million to £0.600 million per annum.
- 5.21 At this stage therefore, the £15 million borrowing has not been included in the capital programme as it would result in significant cost to the Housing Revenue Account rather than the originally assumed benefit. However should circumstances change and positive revisions be made to the FIT tariffs or a very substantial reduction in the installation costs emerge this will be revisited. As has been agreed for the Council's non-housing properties, installations will still be considered on a case by case basis providing the detailed business case does not result in a net cost to the HRA. This expenditure would be added to the council's capital programme as needed through the quarterly TBM monitoring reports.

### Building new council housing

- 5.22 The estates masterplan includes proposals to demolish some vacant garage sites and build 35 new housing units. The 2011/12 capital programme includes funding for initial feasibility, design, planning and demolition costs of £0.675 million to develop these schemes. The 2012/13 budget also includes £1.000 million for building costs with an additional £4.315 million in the provisional 2013/14 programme. Once full schemes are developed, a report will be presented to Cabinet for scheme approval.

### Bringing long term empty properties back into use

- 5.23 The capital investment programme includes plans to bring forward long term empty HRA homes not yet batched to go to Seaside Homes for refurbishment

and occupancy on a temporary basis to mitigate revenue & community pressures around these homes remaining empty for long periods of time & for these homes to be brought into use more quickly to meet housing needs in the City.

- 5.24 Following the introduction of Self Financing the HRA Business Plan is being reviewed which may identify new housing commissioning investment priorities not currently included in the capital programme. Any other new projects identified within 2012/13 will be reported to Cabinet and may be funded from capital reserves or additional borrowing, subject to affordability and the borrowing limit.

## **6. CONSULTATION**

- 6.1 Both the asset management panel (AMP) and Repairs and Maintenance Monitoring Group (RMMG) have successfully and effectively worked with BHCC staff and Mears to ensure that there is a thorough and transparent management of the programmes, and improvements to them. Both RMMG and AMP are represented on the Core Group, and are also to have representatives on the Partnership (operational) group and technical forum groups. All these groups will continue to work closely with BHCC and Mears as a partnership to ensure that contract expectations and requirements are met, and exceeded where possible.
- 6.2 The City Assembly included a budget workshop which gave residents the opportunity to discuss their views on discretionary spending. In small groups, residents were provided with a sum of £2.500 million and asked to consider levels of spending for various categories. All groups agreed that the level of spending on lift replacements should be increased to bring forward planned lift replacements and this has now been reflected in the 3 year capital programme.
- 6.3 The information on the strategy and commitments of the 3-year capital programme for the period 2011-2014 was presented to all Area Panels and HMCC in early 2011, and details circulated widely, including being available on our website. The 2012-2015 3-year plan seeks to build on these solid foundations and deliver the long-term commitments, that were made in these programmes, in a transparent manner whilst reflecting any new priorities that have emerged in consultation with residents, such as additional lift replacement funding. As more details of plans are put together, further details will be reported to HMCC, Area Panels and other appropriate representative groups, to discuss the investment programme further.
- 6.4 All leaseholders have been, or will be, consulted about individual contracts carried out as part of the programme in full compliance with the Common hold and Leasehold Reform Act 2002.
- 6.5 It is important to note that every project cannot be foreseen within our planning strategy and where ad-hoc projects are needed to be carried out this will be done through existing and new processes and procedures that incorporate effective communication and engagement with all residents in the properties concerned, regardless of their individual tenure. All appropriate resident groups are to be fully included in this consultation.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 Financial Implications are included in the main body of the report

*Finance Officer Consulted: Sue Chapman*

*Date: 05/01/12*

### Legal Implications

- 7.2 Amongst the Housing Management Consultative Committee's terms of reference is the power to consider reports and advise the Cabinet on the exercise of the Councils' functions in relation to the management of the Housing Revenue Account. Recommendation 2.1 is therefore clearly within the Committee's powers. In its role as landlord, the Council has statutory and contractual obligations to maintain the structure of and installations in its housing stock. The maintenance and works proposals contained within this report will assist the Council in fulfilling those obligations. The Council must take the Human Rights Act into account when making decisions but it is not considered that any individual's Human Rights Act rights would be adversely affected by the recommendations in the report.

*Lawyer Consulted: Liz Woodley*

*Date: 11/01/12*

### Equalities Implications:

- 7.3 All projects carried out include full consideration of various equality issues and specifically the implications of the Equality Act.

### Sustainability Implications:

- 7.4 This programme supports the target to reducing the annual Carbon Emissions associated with energy use in dwellings by an estimated 4,000 tonnes between April 2011 and March 2016. (Baseline emissions figure for April 2011 is 45,000 tonnes, analysed using government approved SAP accredited software)

Project briefs are issued on all projects and require due consideration of sustainability issues, including energy conservation and procurement of materials from managed and sustainable sources.

### Crime & Disorder Implications:

- 7.5 All contracts are entered into with a requirement for site security. Specific projects, directly address security and prevention of crime and anti-social behaviour.

### Risk & Opportunity Management Implications:

- 7.6 The prime risks associated with this report are those associated with major construction projects. Full account of risk is taken through compliance, in all works, with the Construction Design & Management Regulations, which amongst other measures, require preparation of project specific Health & Safety Plans.

### Corporate / Citywide Implications:

- 7.7 The Housing Capital Programme reaches to all parts of the city. It seeks to provide substantial improvement to the Council's housing stock. The implementation of the proposed programme will take account of all relevant best

practice guidelines and be developed to provide ever improving performance targets.

**8. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

8.1 No alternative options were considered.

**9. REASONS FOR REPORT RECOMMENDATIONS**

9.1 The Local Government and Housing Act 1989 requires each Local Authority to formulate proposals relating to capital expenditure in respect of the HRA. The council's constitution and financial regulations require that capital budgets are approved through the Cabinet committee system.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. HRA Capital Programme for 2012-15

**Documents in Members' Rooms**

None

**Background Documents**

None

## HRA Capital Programme 2012 – 15

EXPENDITURE	Budget 2012/13	Provisional Budget 2013/14	Provisional Budget 2014/15
	£'000	£'000	£'000
<b>Health &amp; Safety:</b>			
Door Entry Systems & CCTV	230	264	288
Water, Ventilation, Fire Alarms Lighting	298	310	312
Lifts	2,206	2,212	1,672
Fire Safety & Asbestos Management	531	503	474
Minor Capital Works	599	509	504
Roofing	1,229	1,066	1,042
Condensation & Damp Works	408	409	359
Structural works	1,102	322	1,253
<b>Decent Homes work:</b>			
Dwelling Doors	1,346	799	552
Kitchens & bathrooms	2,623	2,179	1,962
Rewiring - Domestic/ Communal	1,509	1,285	1,373
Windows	2,107	2,428	1,778
Energy Efficiency	7,527	7,245	4,639
Cyclical Decorations	2,166	1,599	1,533
<b>Discretionary areas:</b>			
Estate Development Budget	540	540	540
Disabled Aids & Adaptations	850	850	850
Conversions & Extensions Project	492	486	503
Fencing	102	102	103
Cycling Facilities	51	51	51
Estate Services Vehicle Replacement	213	-	-
Housing ICT Budget	100	80	80
<b>Commissioning priorities:</b>			
New Build (35 units) - redevelopment of vacant garage sites	1,000	4,315	
<b>Total Programme</b>	<b>27,229</b>	<b>27,554</b>	<b>19,868</b>