

Subject:	Housing Revenue Account Capital Programme 2015-18	
Date of Meeting:	12 February 2015 – Policy & Resources Committee 14 January 2015 – Housing Committee	
Report of:	Executive Director of Environment, Development & Housing Executive Director of Finance & Resources	
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Ward(s) affected:	All	

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

- 1.1 This report seeks approval for the 2015/16 capital programme and provides a provisional capital programme for the following two years, 2016/17 & 2017/18, for the Housing Revenue Account (HRA). The report takes into consideration the latest resources available and aims to balance the priorities of both the council and housing residents within the context of the draft Corporate Plan 2015-2019, which sets out the overall direction for the council over the next four years.
- 1.2 The introduction of the Housing Revenue Account (HRA) self-financing arrangement, has, in effect, created a housing landlord business within Brighton & Hove City Council. This business owns, manages and maintains range of assets, including over 11,700 rented dwellings, 2,700 leasehold dwellings, car parks, garages, and associated land.
- 1.3 This new business must plan for the long-term to be a success, delivering good quality customer service and directing stock investment effectively so that it can positively contribute by:
 - Providing good quality, low environmental impact housing to meet present and future needs
 - Assisting in meeting the councils' housing, equalities and regeneration priorities, whilst delivering "best value."
 - Assuring the sustainability and optimum performance of the HRA business plan,
- 1.4 Creating a long-term sustainable asset base, which best meets the needs of residents and the City as a whole, are the key drivers of the capital programme proposals.

2. RECOMMENDATIONS:

- 2.1 That Policy & Resources Committee approves the HRA capital programme budget of £41.034 million and financing for 2015/16 as set out in paragraph 4.3

3. STRATEGIC CONTEXT

- 3.1 The Housing Revenue Account (HRA) capital strategy focuses on meeting Corporate Plan priorities through building new homes and improving the quality and sustainability of the existing housing stock. The HRA capital strategy aims to ensure that every pound invested reaches beyond the housing service and contributes to regeneration, tackling inequality, creating training and employment opportunities and improving sustainability.
- 3.2 The City Plan sets a local housing target for the City to 2030 of 11,300 new homes; this includes 500 homes from HRA/Estates Regeneration Programme. The HRA new homes/estates regeneration programme is split into 3 phases, with delivery of phases 1 & 2 by 2017 and the wider regeneration phase 3 by 2020.
- 3.3 The proposed HRA Capital Programme is anticipated to contribute significantly towards providing modern and sustainable services, to enable a high performing local authority working toward a new model of self sufficiency for public services in the city and looking beyond the obvious single theme of individual Buildings to embrace works under 4 further new themes, as outlined in the draft HRA Asset Management Strategy, (which will be presented to this committee in the spring). Appendix one presents the HRA capital programme budget proposals under these new theme headings as follows :
- Buildings (building new ones and improving the existing structure and fabric)
 - Places
 - Land
 - People

4. FUNDING THE 2015/16 CAPITAL PROGRAMME

- 4.1 The HRA now operates on 'self-financing' principles and the capital programme may therefore be funded from a variety of HRA sources including revenue surpluses (rental income), borrowing, capital receipts (including surplus Right-to-Buy receipts towards new build schemes), reserves and other grants. These resources are part of the HRA ring-fenced account to be spent on council owned stock.
- 4.2 The proposed programme for 2015/16 and the funding arrangements are outlined below and totals £41.034 million. This programme does not include any re-profiling identified from the 2014/15 targeted budget monitoring.

4.3 The proposed programme is detailed as below:

	Budget 2015/16 £'000
EXPENDITURE	
Buildings (Improving Housing Quality)	17,787
Building New Council Homes	10,284
Places	7,043
HRA Land	4,040
People	1,780
ICT Budget	100
Total Programme	41,034
FUNDING	
Revenue Contribution to Capital	22,837
Borrowing	7,898
HRA reserves	2,100
GF Reserves (ASC contribution Brooke Mead)	2,100
Capital Receipts BHSCH	3,249
Capital Receipts Net RTB	1,350
HCA Grant (Brooke Mead)	1,200
Energy Grants	300
Total Funding	41,034

- 4.4 The majority of the capital programme is funded from the from rental income (after meeting revenue costs) of £22.837 million, supported by borrowing of £7.898 million for which the capital financing costs are included in the revenue budget.
- 4.5 The programme includes the 2nd year of grant funding from the Homes and Communities Agency (HCA) of £1.200 million towards the development of Brooke Mead extra care housing. In addition, the funding includes £0.300 million from Energy grants received. The funding is generated from work that brings about carbon use reductions in the housing stock.
- 4.6 The programme also includes receipts of approximately £3.249 million due in 2015/16 from the leasing of properties to Brighton & Hove Seaside Community Homes. Investment will be used to maintain our homes to the Brighton & Hove Standard.
- 4.7 In June 2012, the council signed an agreement to retain any net additional 'right to buy' (RTB) receipts for investment in new affordable homes. The 2015/16 budget includes the use of £1.350 million retained RTB receipts towards building new homes. The balance of retained RTB receipts will be held in reserves to be used to offset against the costs of building new council homes programmed in the next 2 years. Capital receipts reserves at 31 March 2015 are projected at £7.300 million which reflects the estimated retained RTB receipts.

5. CAPITAL PROGRAMME 2015-18

- 5.1 The investment programme for 2015/16 as detailed above is £41.034 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 the certainty to plan, build and let accommodation to meet both general and specialist housing needs across the city. This 3 year plan takes its lead largely from that consulted on and agreed last year. It is critical to delivering our Housing Strategy objectives and outcomes. During 2015/16 we will be reviewing the Housing Strategy and identifying opportunities for new and future investment, respecting existing capital programme commitments. We are currently consulting on our new Housing Strategy / Local Housing Investment Plan which includes references to HRA investment (revenue, capital programme, future borrowing, use of RTB receipts) against our three key Housing Strategy priorities of Improving Housing Supply, Improving Housing Quality and Improving Housing Support.
- 5.3 In our November 2014 Housing Strategy update to Housing Committee we said 'The capital investment programme for the HRA 2015-18 will be reported to Housing Committee in January 2015 and will highlight further areas of proposed investment and how they link to the strategy.'
- 5.4 Consultation with our tenants, leaseholders and investment stakeholders will continue to inform the shape of the Housing Strategy / Local Investment Plan and its implementation through improvement programmes and investment in individual schemes. The programme will also be published on the council's website. Resident engagement and consultation on the implementation of the agreed plans will be supported through existing arrangements with our delivery partners including Mears and the Property and Investment delivery team is currently being re-structured to place it in an optimum position to place residents at the heart of everything that we do.
- 5.5 In summary the investment programme aims to build upon the achievement of 100% Decent Homes compliance (as at December 2013) by further developing the council's housing stock and by looking beyond the individual buildings.

Buildings

Building new council housing

- 5.6 The council has established the New Homes for Neighbourhoods programme to build new council homes on council land across the city. Housing Committee has approved a number of schemes which are included in the capital programme. Four former garage/car parking sites are being developed (Hardwick Road, Foredown Road, Flint Close and Kensington Street) with 24 new homes. Three infill sites are also being progressed at Manor Place (15 flats), Preston Road (2 wheelchair accessible bungalows) and Ardingly Street (5 flats). A number of other schemes have been to Housing Committee for early approval, but will not be included in the capital programme until the detailed design is developed and funding is agreed by

Housing Committee. These include the former Whitehawk Library site (58 flats), Wellsbourne site (27 flats) and Selsfield Drive former Housing Office (up to 20 flats). The programme also includes budget for undertaking further feasibility studies on potential sites.

- 5.7 Following Housing Committee approval on 13 November 2013, Policy & Resources approved a budget of £8.3 million for the development of extra care housing at Brooke Mead. The costs were indicative at that time based on early stage designs with an estimated expenditure profiled as £3.0 million in 2014/15 and £5.3 million in 2016/17. Contractors Willmott Dixon, appointed through an OJEU compliant framework (known as SCAPE), have carried an initial cost review showing that costs have increased to approximately £9.8-£10 million for this new build scheme. The increase in build costs stem from the high number of site abnormalities such as ground condition, engineering requirements and a significant increase in build costs inflation in the last year. The increased costs have been reflected in the 2015/16 & 2016/17 budget proposals. A further financial appraisal of this scheme shows that the increased costs may be met through shared ownership sales (not in the original financial appraisal) and extending the borrowing available from the net rental income streams from 30 to 40 years, therefore not requiring HRA subsidy.

Buildings (Improving Housing Quality)

- 5.8 The capital programme reflects the ongoing need to maintain dwellings at the Brighton Standard (which incorporates and expands on the requirements of the Decent Homes standard). Works to improve homes including ensuring that internal elements such as kitchens, bathrooms, central heating systems and rewiring homes, as well as external elements such as doors and windows, all meet the benchmark standards.
- 5.9 Additionally, basic health and wellbeing requirements are assessed, and the required safety levels met. Even though decency targets were met as at December 2013, with an associated reduction in some capital budgets, significant investment will still be required to ensure that sustainable standards agreed with residents are maintained to help prevent and treat those properties falling out of the standard, and for further investment in areas that provide comfort and security and improve energy efficiency. For example upgrading insulation and installing high efficiency boilers.

Health & Safety.

- 5.10 Health and 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, close circuit television (CCTV), water tanks, lifts, ventilation shafts, dry risers, fire alarms, asbestos management, roofing, lighting, structural building work, preventative damp work, cyclical maintenance and decorations programme.
- 5.11 Fire Safety and Asbestos management budgets throughout the period reflect the need to retain 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.

- 5.12 The Minor Capital works budget includes a provision for programmed works identified by residents where their homes and buildings require large or complex repairs, also a sum for surveys and preparatory works.
- 5.13 The proposed budget includes a specific programme for tackling condensation and mould growth. This essential work deals with a potential health hazard, and work to prevent effects of condensation and damp have been integrated into the cyclical area-based investment programmes.
- 5.14 Other budgets for ensuring water safety and the security of residents, for example through modern, well maintained door entry systems, make up our ongoing planned investment in safety and security in this area.

Sheltered Housing

- 5.15 The council built a significant number of sheltered studio flats with shared facilities, in the 1960s and 1970s which are now proving unpopular and hard to let. Refurbishment is taking place to ensure all studios have their own bathrooms and this will be completed in 2014/15.
- 5.16 The above action means that there are still over 200 studios with their own bathrooms, but where the bed is in the lounge. The conversion of these studios to one bedroom flats is a major priority of this proposed current capital budget.

Places

- 5.17 The current 3 year programme includes substantial investment in lift replacements and modernisation, including considerable improvements to energy performance. This budget has been increased to reflect tenants' support to accelerate where practical the lift replacement programme. The increased funding reflected in this programme is enabling the new lifts to be installed across the city within 5 years, rather than the original plan to complete programme within 10 years.
- 5.18 Over the next year, replacement and upgrading will focus on continuation of works at Leach Court and Philip Court and installing new lifts at the Bristol Estate blocks: Damson ,Meadowsweet, Calendula, Allamanda, Cherry, Sorrel and Hollyhock. Work will also be on-going at the Whitehawk blocks: Kingfisher Court, Falcon Court, Swallow Court, Kestrel Court and Heron Court, subject to any leasehold requirements, where they apply. Energy performance on the new lifts is improved by both more efficient motors, and controls, ,such as low energy 'standby' modes when not in use.
- 5.19 A large scale electrical wiring programme to upgrade and improve communal lighting and controls, is now well underway, with provisional programmes published on the website.

HRA Land

- 5.20 One of the key strategic priorities outlined in the City-wide Housing Strategy 2009-14 was to improve housing quality; to make sure that residents are able to live in decent homes suitable to their needs. Our strategic goals under this priority include,

reducing fuel poverty, minimising CO2 emissions and improving tenants' homes, ensuring they are of high quality and well maintained.

Conversion and Extension of Existing Dwellings

- 5.21 The 3 year capital programme includes a budget for loft conversions and extensions to help alleviate overcrowding and to facilitate any required adaptation works. This is all about the aspiration to improve people's lives and the quality of living. These projects have already helped to reduce the number of overcrowded families, and provide good quality family homes that meet the specific needs of vulnerable residents. These projects additionally help local families to be in a position to plan for the future by being based in a suitable location for the long-term.

People

- 5.22 The Council is committed to improving the energy efficiency of the City's housing, reducing the cost of living at a time when energy prices continue to rise. The aim is to help households to access affordable energy efficiency measures, in particular people on low incomes. This will assist in tackling fuel poverty and contribute to reducing the City's carbon dioxide (CO2) emissions. In addition, the Council is committed to contributing to the development of the One Planet approach to ensure Brighton & Hove will improve energy security, become more resilient to shortages and price increases in energy and other resources and take opportunities for growth in environmental sector jobs.

Apprentices within the Repairs Partnership

- 5.23 The Council works with key partners within the City to extend real employment opportunities to young people of working age, through our continued financing of the apprentice programme.

Improving adaptability and accessibility

- 5.24 The housing adaptations budget remains at £1.150 million per annum to reflect the growing need for minor, sensory and major housing adaptations as a result of an ageing population, applicants with disabilities particularly children living longer with more complex needs and to help residents continue to access and live comfortably in their own home rather than in residential care settings. In addition the budget helps ensure we make the best use of other capital investment programmes e.g Decent Homes and below the Conversion & Extension project, to joint work & co-fund the relevant works where there is a disability need. These projects are delivered by working together with Occupational Therapy professionals, the budget proposals for 2015/16 to 2017/18 are to continue at this same level of funding.

Accessibility of sheltered housing communal areas

- 5.25 There are some required improvements to communal areas such as ramps and stair lifts, which are relatively minor but which will improve tenants' quality of life. A dedicated budget will be made available to address these issues.

Estate Development Budget

- 5.26 The Estate Development Budget has been included. 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.

Fencing

- 5.27 This budget provides for a strategic approach to improving boundary 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.

6. CONSULTATION (People as Assets)

- 6.1 The Asset Management Panel (AMP) and Repairs and Maintenance Monitoring Group (RMMG) have been replaced by the Home Service Improvement Group (Home Group) which has 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. Residents from the Home Group are represented on the Core Group, and are also to have representatives on the Partnership (operational) group. These groups 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 information on the strategy and commitments of the 3-year capital programme for the period 2012-2015 was presented to residents in early 2012, and details circulated widely, including being available on our website. The 2015-2018 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 speeding up the lift replacement programme. As more details emerge, further details will be reported as appropriate, to allow further discussion of the investment strategy and programme.
- 6.3 All leaseholders have been, or will be, consulted about individual contracts carried out as part of the programme in full compliance with the Commonhold and Leasehold Reform Act 2002.
- 6.4 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: Susie Allen Date: 11/12/14

Legal Implications

- 7.2 In its role as landlord, the Council has statutory and contractual obligations to maintain the structure of and installations in its housing stock. The 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 recommendation in the report.

Lawyer Consulted: Liz Woodley Date: 10/12/14

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 One Planet Council targets and Sustainable Action Plan. Housing is a key contributor to the Carbon Emissions reductions commitments and will help to reduce the number of residents affected by fuel poverty and rising energy costs.
- 7.5 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:

- 7.6 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:

- 7.7 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:

- 7.8 The Housing Capital Programme reaches to all parts of the city. It seeks to provide substantial improvement to the Council's housing stock and improve quality of residents' lives in their homes. 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 have been 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 Committee system.

SUPPORTING DOCUMENTATION

Appendices:

1. HRA Capital Programme for 2015-18

Documents in Members' Rooms

None

Background Documents

1. Draft Asset Management Strategy 2014 - 2018

HRA Capital Programme 2015 – 18

EXPENDITURE	Budget 2015/16	Provisional Budget 2016/17	Provisional Budget 2017/18
	£'000	£'000	£'000
<u>Buildings (Improving Housing Quality)</u>			
Condensation & Damp Works	719	719	742
Roofing	2,090	1,470	1,484
Fire Safety & Asbestos Management	480	441	445
Major Structural works	593	376	380
Insulation improvements (incl overcladding)	5,083	7,741	4,802
Refurbishment	454	0	0
Window Replacement Programme	1,405	1,495	1,514
Door Replacement Programme	444	429	433
Kitchen & Bathroom Replacements	1,678	1,715	1,730
Rewiring - Domestic/ Communal	2,780	1,165	1,083
Domestic/Communal Heating Improvements	2,061	3,363	3,240
Sub-total Buildings (Improving Housing Quality)	17,787	18,914	15,853
<u>Building New Council Homes</u>			
Brookemead extra care	5,000	2,000	0
Infill sites - Manor Place	800	1,000	0
Garage Sites - Guinness	2,600	1,200	0
Ardingly Street	1,100	0	0
Preston Road Conversion	384	0	0
Feasibility & Design - Housing Investment	400	0	0
Sub-total New build	10,284	4,200	0
Total BUILDINGS	28,071	23,114	15,853
<u>Places (Internal communal areas, commercial assets, ext appearance of our bldgs, attention to the public realm.)</u>			
Lift Replacements & Repairs	3,405	3,204	2,707
Door Entry Systems Replacement & Repair	273	263	264
Main Entrance Doors Replacement	156	180	203
Water Tanks, Ventilation & Fire Alarms Lighting	436	316	317
City College partnership projects	42	50	50
Cyclical Decorations	2,731	2,793	2,821
Total Places	7,043	6,806	6,362
<u>HRA Land (Estate groupings, garages and car parks, maximising accommodation within existing envelope, leased assets etc.)</u>			
Major Empty Homes works, conversions & seaside homes	547	306	309
Future capital projects - feasibility works/urban design planning studies	122	117	118
Minor Capital Works	299	304	309
Future proofing of assets	60	61	62
Citywide conversions & extensions	1,198	1,225	928

Conversions of existing bed-sits	1,814	2,417	1,182
Total HRA Land	4,040	4,430	2,908
<u>People (Adaptations, future proofing, putting residents at the centre of endeavour, consultation.)</u>			
Disabled Aids & Adaptations	1,150	1,150	1,150
Estate Development Budget	540	540	540
Fencing	60	61	62
Cycling Facilities	30	24	25
Total People	1,780	1,775	1,777
ICT Budget	100	100	100
Total Budget Requirement	41,034	36,225	27,000