

Subject:	Housing Revenue Account Capital Programme 2014-2017
Date of Meeting:	13 February 2014 – Policy & Resources Committee 11 February 2014 – Housing Management Consultative Sub-Committee 15 January 2014 – Housing Committee
Report of:	Executive Director of Environment, Development & Housing Executive Director of Finance & Resources
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Wards affected:	All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report seeks approval for the 2014/15 capital programme and provides a provisional capital programme for the following two years, 2015/16 & 2016/17, 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 social landlord duties in respect of approximately 11,800 properties and 2,600 leasehold properties.

2. RECOMMENDATION:

- 2.1 That Policy & Resources Committee approves the HRA capital programme budget of £28.876 million and financing for 2014/15 as set out in paragraph 4.1.

3. STRATEGIC CONTEXT

- 3.1 The 2014 - 2017 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, which sets out the council's strategic direction and priorities, based around the four council priorities:

- Tackling inequality
- Creating a more sustainable city
- Engaging people who live and work in the city
- Modernising the council

3.2 The capital strategy will focus on meeting the overarching housing strategy and corporate plan priorities through investment in 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. In supporting these priorities the capital programme will focus on:

1) Tackling Inequality

The Capital budget strategy focuses upon:

- Investment in building new affordable homes on HRA land and specific garage sites. The development of new housing also has a strong economic multiplier impact on the local economy (estimated at £3.51 of economic output for every £1 of public investment) creating jobs and supply chain business opportunities
- Continuing the improvement in the quality of existing council homes by achieving the Brighton & Hove Standard (Decent Homes Standard) across the housing stock by the end of 2013. Research by Nottingham Trent University has estimated that every £1 spent on Decent Homes improvements creates £1.46 in local spend through orders to trades people and suppliers in the area
- Increased investment in adaptations to enable council tenants to live independently in their homes. Adaptations to housing are aligned with Adult Social Care's focus on prevention and re-ablement, which minimises delayed discharges of care and avoidable admissions to hospital and reduces the pressure on health and social care budgets.
- Action to increase asset values, tackle over-crowding, and improve health and well-being through the continuation of the loft conversion and home extension programme.
- Tackling health inequalities through an ongoing strategic programme to prevent damp and reduce condensation in homes.

2) Creating a more sustainable city

- The capital programme will focus on improving the sustainability and energy efficiency of the housing stock by reducing waste and delivering more affordable warmth:
- Tackling fuel poverty through continued investment in providing modern, energy efficient heating for council housing residents.
- Improving the sustainability and energy efficiency of the housing stock in line with the emerging One Planet Living Sustainable Action Plan for council housing. This would include insulation improvements, cladding projects, solar thermal and photo-voltaic (PV) and improvements to communal lighting.
- Investing in estate regeneration to make best use of our existing assets and building new council homes to high sustainability standards.

3) Engaging people who live and work in the city

- The budget strategy continues to provide £0.540m for the tenant-led estate development budget. This budget is operated using a not-for-profit model to maximise social value.
- The lift replacement programme was accelerated and investment increased as a direct response to consultation in 2012/13. Consultation this year has also informed our discretionary capital spend.

4) Modernising the Council

- The proposed HRA Capital Programme is anticipated to contribute significantly towards providing modern and sustainable services, with works under the following main headings:

Improving Housing Quality
Brighton & Hove Standard Works
Sustainability & Carbon Reduction
Tackling Inequality
Building New Council Homes

The proposed expenditure is detailed below.

4 FUNDING THE 2014/15 CAPITAL PROGRAMME

- 4.1 The 3 year 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 2014/15 and the funding arrangements are outlined below. This programme does not include any re-profiling identified from the 2014/15 targeted budget monitoring.

	Budget 2014/15 £'000
EXPENDITURE	
Improving Housing Quality	7,839
Brighton & Hove Standard Works	4,675
Sustainability & Carbon Reduction	7,447
Tackling Inequality	3,915
Building New Council Homes	5,000
Total Programme	28,876
FUNDING	
Revenue Contribution to Capital	22,124
Borrowing	1,200
HRA reserves	1,033
Capital Receipts (incl BHSCH, net RTB receipts)	3,189
HCA Grant (Brooke Mead)	1,200
Other Grants	130
Total Funding	28,876
Projected Capital Reserves at 31 March 2015	(2,400)

- 4.2 The majority of the capital programme is funded from the rental income (after meeting revenue costs) of £22.124 million, supported by borrowing of £1.200 million for which the capital financing costs are included in the revenue budget.
- 4.3 The programme includes grant funding from the Homes and Communities Agency (HCA) of £1.200 million towards the development of Brooke Mead extra care housing (a further £1.200 million will be available in 2015/16 for Brooke Mead) . In addition, the funding includes £0.130 million from the national sustainability scheme, run by utility companies, called the Community Energy Saving Programme (CESP). The funding is generated from work that brings about carbon use reductions in the housing stock.
- 4.4 The programme assumes that there will be capital receipts available during 2014/15 from the leasing of properties to Brighton & Hove Seaside Community Homes. Investment will be used to maintain our homes to the Brighton & Hove Standard and potentially fund other strategic housing priorities.
- 4.5 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 2014/15 budget includes the use of £0.600 million retained RTB receipts towards building new homes. The balance of retained RTB receipts will be held in reserves until 2015/16 and then used to offset against the costs of building new council homes programmed in that year. Capital reserves at 31 March 2015 are projected at £2.400 million which reflects the estimated retained RTB receipts.

5. CAPITAL PROGRAMME 2014-2017

- 5.1 The investment programme for 2014/15 is £28.876 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 2014/15 we will be reviewing the Housing Strategy and identifying opportunities for new and future investment, respecting existing capital programme commitments.
- 5.3 Consultation with our tenants, leaseholders and investment stakeholders will continue to inform the shape of the Housing Strategy 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.

a.) Improving Housing Quality

- 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, 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.
- 5.5 The 3 year programme includes substantial investment in lift replacements and modernisation, including considerable improvements to energy performance. This

budget was 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 7 years, rather than the original plan to complete programme within 10 years. Over the next year, replacement and upgrading will focus on installing new lifts at Hereford Court, Theobald House, Thornsedale, Philip Court, Sanders House, Nettleton Court and beginning the 2-year programme at Leach 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.

- 5.6 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.
- 5.7 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.
- 5.8 The 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. Fire Safety and Asbestos management budgets throughout the 3-year period reflect the need to support our good track record 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 our ongoing planned investment in safety and security in this area.

b.) Brighton & Hove Standard Works

- 5.9 The capital programme reflects the ongoing need to maintain dwellings at the Brighton Homes 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. Additionally, basic health and wellbeing requirements are assessed, and the required safety levels met. Although, with decency on target to be achieved by 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.
- 5.10 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.

c.) Sustainability & Carbon Reduction

- 5.11 Tackling inequality and creating a more sustainable city are key priorities in the Council's Corporate Plan aligned to One Planet Living commitments. 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.

- 5.12 The Council has a strong track record of significant investment to increase the energy efficiency of the City's council housing stock. The Housing Investment Capital Programme 2013-2016 (approved by February 2013 Policy & Resources Committee) included a budget of £1.555 million for the installation of Solar Photovoltaic Arrays (Solar PV), estimated to achieve over 240 installations. The investment programme for 2014 -2017 continues to provide for the annual installation of Solar PV and we are committed to updating our business modelling to inform a review of proposals for installing Solar PV to the all the potential council (HRA) assets.
- 5.13 One of the key strategic priorities outlined in the City-wide Housing Strategy 2009-14 is 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.
- 5.14 Brighton & Hove faces a number of challenges in increasing the energy efficiency of its housing stock:
- Homes contribute the most significant source of carbon dioxide in the City at 42% of Brighton & Hove's measured carbon footprint, or 514,000 tonnes per year, compared to 31% nationally;
 - Domestic emissions in the City (including Council homes) account for around 57% of the city's total emissions from buildings;
 - Fuel poverty was estimated to be 12.2% in 2011 in Brighton & Hove, higher than the South East average;
 - The Joint Strategic Needs Assessment identifies the relationship between poor housing and poor health outcomes, in particular fuel poverty and poor thermal comfort. Director of Public Health Annual Report has identified good quality housing as important for building wellbeing and resilience and housing in the City as an area representing a particular vulnerability.
- 5.15 Where considering the energy efficiency of the city's housing stock there are also wider national energy challenges that need to be reflected, including:
- Rising energy costs - prices expected to double by 2030;
 - Rising energy demand - expected to double by 2050 due to electrification of transport and population growth;
 - De-carbonisation - 5% renewable energy within 8 years, 30% by 2030; 80% all energy 'de-carbonised' by 2050;
 - Energy security - UK has only 14 days power reserves compared to France and Germany with >80 days, a 5% drop in imports could lead to 'sustained blackouts within weeks'.

- 5.16 Identifying funding and investment opportunities for home energy efficiency improvements to maintain the high standards of the previous programmes is a challenge we must face. With less central government funding available we are looking to access alternative funding streams to finance energy efficiency programmes, these include:
- The 'Green Deal' and Energy Company Obligation;
 - Feed In Tariffs – (Feed-in Tariffs (FITs) that became available in Great Britain on 1st April 2010. Under this scheme energy suppliers have to make regular payments to householders and communities who generate their own electricity from renewable or low carbon sources such as solar electricity panels (PV) or wind turbines).
- 5.17 As at the end of December 2012 the average SAP rating (using rdSAP09) across the council housing stock was 61.9.
- 5.18 Against the background of rising fuel costs, it is imperative that we reduce energy wastage by ensuring homes have modern heating systems and are well insulated to minimise the number of households suffering from fuel poverty. £9.3 million is included over the next three years to replace and upgrade a number of the communally heated systems alongside individual domestic replacements and improvements. Where practicable, renewable energy is being incorporated within these projects, for example, in 2013/14 the 2 sheltered schemes received a communal solar hot water system along with new high efficiency boilers. It is intended to undertake more of these types of project, subject to feasibility surveys that are now being undertaken.
- 5.19 Insulated over cladding provides an additional protective layer to our buildings this has a number of benefits including energy efficiency. The programme also includes survey and installation of cavity wall insulation and loft insulation top ups to 270mm, where construction types and location allow it. In addition it is proposed to fund the completion of ongoing major projects at Essex Place and Phase 2 of the improvements at the Bristol Estate.

d.) Tackling Inequality

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

Estate Development Budget (EDB)

- 5.21 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

- 5.22 The housing adaptations budget was increased last year by £0.300 million per annum to £1.150 million 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 2014/15 to 2016/17 are to continue at the same level of funding at £1.150 million per annum.

Conversion and Extension of Existing Dwellings

- 5.23 The 3 year capital programme includes a budget of £4.3 million over the next 3 years for loft conversions and extensions to help alleviate overcrowding and to facilitate any required adaptation works, in some of our family homes. 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. We have identified many overcrowded families whose homes would benefit from adaptations, special needs or lifetime homes requirements that are integrated with the investment works where possible. These projects help local families to be in a position to plan for the future by being based in a suitable location for the long-term. This budget will provide up to 20 extensions per annum, depending on the size and complexity of each project. Additionally, this budget will assist with current plans, some of which are at an early stage, to undertake a limited number of property conversions. These conversions would help provide some additional modern units to help deliver strategic priorities. This may include additional general needs, sheltered, or specialist accommodation as necessary on a case-by-case basis.

Fencing

- 5.24 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 and a policy is being developed with partners and residents to reflect this.

Cycling Facilities

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

e.) Building new council housing

- 5.26 The Housing Investment 2012-2020: Strategy & Implementation Plan report approved by Housing Committee on 26 September 2012 outlined proposals for future redevelopment and new build opportunities on HRA land. This included developing the final feasibility, design and build of 29 new housing units on garage and car parking sites. A contract was awarded to the Guinness Partnership in November 2013 for the delivery of four of these sites (estimated 27 units which will be handed back to the council for management) and a strategy is under development for the delivery of new housing on the remaining sites. The current capital programme includes funding for the development of these schemes, with a £1.000 million provision for building costs during 2014/15 and a further £3.900 million in the provisional 2015/16 programme.
- 5.27 Following Housing Committee approval on 13 November, Policy & Resources approved a budget up to a maximum of £8.3 million for the development of extra care housing at Brooke Mead. The costs are indicative at this stage with estimated expenditure profiled as £3.0 million in 2014/15 and £5.3 million in 2016/17. The development costs modelled, (based on 44/45 units) are indicative at the time of writing this report and therefore if there are any significant variations to the proposed capital scheme and funding these would be reported back to Policy & Resources committee in accordance with council's standard financial procedures.

- 5.28 The programme includes £1.0 million estimate for the commencement of the development on the infill sites Manor Place (17 units) and Preston Road (4 units), with a further £2.3 million over the following 2 years. Housing Committee on 13 November gave approval for delegated authority to the Executive Director of Environment, Housing & Development in consultation with the Director of Finance and Resources to award the contract following completion of procurement of delivery partner/s for the development of new housing at the sites above.

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 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 2014-2017 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: 9th December 2013

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. All contracts over £50,000 must be under seal and comply with the Council's Contract Standing Orders and Financial Regulations, and with EU legislation, where relevant. 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.

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.

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 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 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 Committee system.

SUPPORTING DOCUMENTATION

Appendices:

1. HRA Capital Programme for 2014-17

Documents in Members' Rooms

None

Background Documents

1. Draft Asset Management Strategy 2013

HRA Capital Programme 2014 – 17

EXPENDITURE	Budget 2014/15	Provisional Budget 2015/16	Provisional Budget 2016/17
	£'000	£'000	£'000
Improving Housing Quality			
Door Entry Systems & CCTV	251	247	249
Water Tanks, Ventilation & Fire Alarms	292	288	290
Lifts	2,349	2,215	2,230
Fire Safety & Asbestos Management	465	467	424
Minor Capital Works	349	345	341
Roofing	1,453	1,344	1,353
Condensation & Damp Works	465	351	330
Structural works	471	631	930
Cyclical Decorations	1,744	1,636	1,765
Brighton & Hove Standard Works			
Dwelling Doors	430	409	390
Kitchens & bathrooms	1,628	1,636	1,647
Rewiring - Domestic/ Communal	1,105	1,052	941
Windows	1,512	1,402	1,353
Sustainability & Carbon Reduction			
Solar PV Citywide project	514	721	520
Domestic/Communal Heating Improvements	2,468	3,606	3,475
Insulation improvements (incl overcladding)	4,465	5,234	4,272
Tackling Inequality			
Estate Development Budget	540	540	540
Disabled Aids & Adaptations	1,150	1,150	1,150
Conversions & Extensions	2,035	1,402	1,412
Fencing	58	58	58
Cycling Facilities	52	52	52
Housing ICT Budget	80	100	100
Stock	23,876	24,886	23,822
Building New Council Homes			
New Build - Garage sites	1,000	3,900	0
Brookemead extra care	3,000	5,300	0
Infill sites	1,000	1,300	1,000
Total Building New Council Homes	5,000	10,500	1,000
Total Programme	28,876	35,386	24,822