

Report of **Director of Environment and Housing**

Report to **Executive Board**

Date: **6 November 2013**

Subject: **2014/15 Council Housing Capital Programme**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. In 2014/15 the amount of capital resources available to fund the Housing Capital Programme is expected to increase substantially from the £56.8m identified within the Housing Revenue Account (HRA) Business Plan approved by Executive Board in February 2012. The base programme remains broadly comparable and in line with the HRA Business Plan but additional resources have become available as a result of the transfer of ALMO resources back into the Council and increased Right to Buy sales. In addition to this the previously agreed £40m Council Housing Growth Programme all result in a substantial increase in investment in the Council's housing stock next year.
2. Historically the Housing Capital Programme was determined and delivered by the three ALMOs based upon local and city-wide priorities mainly focused on delivery of the Decent Homes Standard. For 2014/15 it is proposed to move to a city-wide Capital Programme which reflects corporately agreed objectives such as increasing the supply of Council Housing, ensuring a sustainable asset base, ensuring strong links between Council and Housing Plans, and maximising resources available to fund investment.
3. There are significant levels of investment needed to Council Housing stock over the next 10 years to maintain stock to the Decent Homes Standard, to develop an asset base that is sustainable in the long term, e.g. to Multi-Storey Flats (MSFs) and Sheltered Housing, and to improve the energy efficiency of Council Housing Stock. It is essential that this investment need is considered as part of the review of the Rent Strategy, balancing the need to maximise rent increases to support future investment, against the affordability to tenants.

In 2014/15 the headline investment proposals for the Council's Housing stock are:

- £1.65m to bring empty properties back into use;
- £2.4m on re-modelling Sheltered Housing;
- £4m of fire safety works at multi-storey blocks;
- £4m on Adapting properties for disabled residents;
- £8.5m on new kitchens and bathrooms;
- £2.7m on other Decent Homes Standard maintenance;
- £6m on void property work; and
- £7m on upgrading inefficient central heating boilers.

Other work packages make up the remainder of the proposed Programme.

- 4 Capital receipts from Right to Buy which must be used to replace housing will be targeted through Housing Associations. A £4m a year programme for the next 2 years is likely to deliver in excess of 250 new properties.

Recommendations

- 5 Executive Board is recommended to:
 - Note the increase in HRA capital resources available in 2014/15;
 - Agree the proposed approach for the prioritisation of resources in the 2014/15 Council Housing Capital Programme as outlined in the report;
 - Note the Capital Programme for 2014/15;
 - Agree the next steps to finalise the Capital Programme which will be submitted to Executive Board for approval as part of the Council's Annual Budget Report in February 2014.

1 Purpose of this report

- 1.1 The purpose of this report is to indicate the potential resources available to support the Council Housing Capital Programme in 2014/15, outline the proposed approach to developing the Programme and give a headline summary of the proposed Programme. The proposed Programme will continue to be developed and consulted upon during the coming months and the final Capital Programme will be reported to Housing Advisory Board and then included within the Council Budget report to Executive Board in February 2014.

2 Background information

2.1 2014/15 Capital Programme Resources

- 2.1.1 The Housing Revenue Account Business Plan agreed by Executive Board in February 2012 identified that £56.8m was available to support the 2014/15 Capital Programme. Subsequently Executive Board have agreed to provide support to the Little London Beeston Hill and Holbeck PFI (£5.8m) and the Council's New Build programme (£3m) in July 2012 and September 2012 respectively, leaving the amount available at £48m.
- 2.1.2 Since the production of the HRA Business Plan a number of developments have improved the Capital Programme position. In addition to the usable capital receipt (see section 3) the Council can retain a sum of money from the RTB receipt which can be used to either repay the notional debt on the property sold or be used to resource expenditure on housing priorities. A sum of £4m is anticipated in both 2013/14 and 2014/15.
- 2.1.3 The transfer of the housing management function back to the City Council from October 1st means that ALMO reserves of £4m are available to resource housing investment priorities. Whilst the ALMOs were in existence this resource would not have been available to support capital since it would have been required to be retained as a reserve within the respective companies.

2.2 Proposed approach to developing the 2014/15 Capital Programme

- 2.2.1 Historically the Leeds ALMOs have been responsible for developing their own individual capital programmes to deliver against citywide priorities, mainly meeting the Decent Homes Standard, and addressing locally identified priorities. 2013/14 will be the last year that separately determined programmes are delivered. With the transfer of the service back into the Council and the transition to self-financing, there will be a move towards developing a citywide programme addressing emerging issues such as remedial work to multi-storey flats, housing new build and energy efficiency whilst also maintaining stock at the Decent Homes Standard.
- 2.2.2 Work has been underway during the last year to put processes in place to plan the citywide Council Housing Investment programme for 2014/15 onwards. This has included collecting stock condition data where it was not available and

identifying investment priorities as part of the development of the Asset Management Strategy.

- 2.2.3 A draft 3 year Capital Programme has been developed for 2014/15 to 2016/17 which focuses on delivering against investment to support the 4 key asset management priorities of increasing the supply of Council Housing, developing a sustainable asset base, ensuring strong links between Housing Leeds and Council Plans and maximising resources available to fund investment.
- 2.2.4 In managing the transition from ALMO to a Council citywide programme there has been a collaborative approach with the full involvement of key officers from the former ALMOs, ABCL and the Council.
- 2.2.5 The estimated cost of the essential and desirable investment needs of the Council's housing stock identified in the short to medium term exceed the resources predicted to be available in the HRA Business Plan. A joint exercise has therefore been undertaken to produce some options for the prioritisation of work to produce a financially deliverable programme.

2.3 Capital Programme Priorities

2.3.1 The Council Housing Capital Programme supports the delivery of a number of the Council's Priorities:

- Increase the number of properties with energy efficiency measures.
- Increase the number of properties which achieve and maintain the decency standard.
- Increase the number of long term empty properties brought back into use.
- Reduce carbon emissions.
- Reduce the overall crime rate.
- Reduce the rate of admission to hospital / residential care homes.

2.3.2 The Council Housing Capital Programme also supports the delivery of two of the six best council objectives for 2013-17 – ensuring high quality public services and becoming an efficient and enterprising council.

2.3.3 A Council Housing Asset Management Strategy is being developed in which four key asset management priorities are identified for Council Housing:

- Increasing the supply of Council Housing through a mixture of new build, acquisition and bringing empty properties back into management.

Executive Board has already agreed the injection of £28.5m into the Capital Programme and authorised spend of £40m and £2m (subject to HCA bid for Council house new build at its meeting on 17th July 2013).

- Developing a sustainable asset basis by carrying out investment in unsustainable stock to better meet future needs, e.g. remodelling.

Some Sheltered Housing remodelling and re-provision is already underway and will be continued. Detailed survey work is underway to determine the structural condition of multi-storey blocks and non-traditional flats and houses which will inform a future programme.

- Ensuring strong links between Housing and Council Plans to develop investment programmes which support citywide Council regeneration priorities.

The investment in the Little London and Beeston Hill PFI supports the delivery of the biggest regeneration scheme in the city.

Undertaking environmental improvement work in the Nevilles demonstrates the Council's commitment to targeted area improvement and complements the investment we are making in Cross Green.

Maximising resources available to fund investment by achieving savings through effective contract management and leveraging in external resources to fund investment priorities.

Investment in replacing defective boilers allows us to reduce on-going repair and maintenance costs and helps to tackle fuel poverty.

2.3.4 In addition the draft programme directly contributes to two of the six agreed Housing Priorities:-

- Maximising the value of the capital programme in supporting the City Priorities.
- Achieving a 30 day void turnaround time.

2.3.5 The capital programme has been developed to focus on delivering the capital programme priorities and meeting contractual requirements. However, even in delivering the capital programme against these priorities, it has been necessary to prioritise investment which can be achieved using existing resources.

2.3.6 In developing the Capital Programme, four priority areas have been used to identify the priority order of the programme:

Priority 1 – to meet existing commitments / plans where approvals have already been given to spend.

Priority 2 – where there is a legal or regulatory requirement for us to complete the investment, or no investment would seriously jeopardise the viability of the HRA.

Priority 3 – where investment will support the Council in meeting its strategic priorities and is identified as essential investment in the HRA Business Plan.

Priority 4 – where investment will support the Council in meeting its strategic priorities and is identified as sustainable investment in the HRA Business Plan.

2.4 Draft 2014/15 Capital Programme

2.4.1 Using these priorities the draft programme has been put together based on the priorities, as follows:-

- **Priority 1 – Existing Commitments**

This element of the capital programme will deliver £6.1m investment in schemes where approval has already been given to proceed.

- £1.6m to refurbish 87 properties on the Malverns and Waverleys which were removed from the Beeston Hill and Holbeck PFI.
- £467k to install district heating system to Clydes MSFs.
- £2m to remodel the Farrar Lane sheltered bedsit scheme.
- £869k to contribute toward the Sustainable Communities Investment Fund to improve the Nevilles.
- £200k to support the Sanctuary Scheme which delivers additional security measures to properties for victims of domestic violence.
- £150k on the replacement of Eurolocks.
- Former ALMO schemes which are programmed for completion in 2014/15.

- **Priority 2 – Legal / Regulatory Requirements**

This element of the capital programme will deliver investment in order for the Council to meet its legal and regulatory requirements including adaptations, fire safety works and capitalised responsive repairs. This area of the programme is estimated to make up 20% of the base capital programme. Resources will be allocated in order for the Council to complete works delivered to meet the Fire Service Concordat by 2015.

- **Priority 3 – Strategic Priorities (Essential Investment)**

This element of the capital programme will deliver investment to deliver essential investment to stock, including decency works, capitalised voids, communal building components and staffing / overhead costs. This area of the programme is estimated to make up 60% of the base capital programme.

The main focus of the Decency Programme (made up of roofs, windows, doors, kitchens and bathrooms) is based on the agreed area based approach. Lettings areas where decency components are showing higher failure rates have been identified as priorities for investment in the 2014/15 capital programme. However, a proportion of the programme will remain available to support urgent replacements outside these lettings areas.

- **Priority 4 – Strategic Priorities (Sustainability Investment)**

While none of the schemes identified in priority 4 are essential from a contractual or legislative perspective, many of the schemes are of the highest priority in achieving the City Priorities and Asset Management Priorities for Council Housing. It has therefore been important in developing the 2014/15 Capital Programme to

as far as possible include schemes from the priority 4 group. Schemes are proposed to deliver energy efficiency improvements via Green Deal / ECO and the remodelling of sheltered bedsits. While this area of the programme is estimated to deliver only 2.5% of the base programme, further schemes will be prioritised from this priority group to be funded from the additional resources that will be made available to the 2014/15 capital programme.

2.4.2 Belle Isle TMO will retain responsibility for delivering its own capital programme, to support the citywide investment approach and city priorities. The capital programme requirements for BITMO for 2014/15 to 2016/17 are still to be finalised. BITMO has presented a draft capital programme to the Council, totalling £1.7m, and this will be considered alongside the citywide programme, and resources will be determined accordingly.

2.5 Future years Capital Programme

2.5.1 The 2015/16 and 2016/17 Capital Programmes will be developed in accordance with the approach to developing the 2014/15 programme, based on the agreed asset management priorities and the identified investment need.

2.5.2 As rent convergence is due to end in 2014/15 this will mean that the Council's current Rent Strategy on which the current HRA Business Plan is based, is no longer applicable. The end of rent convergence is projected to impact negatively on income levels into the HRA, which in turn will reduce resources available to service areas, including capital resources to support the Capital Programme. This will create pressures on the 2015/16 Capital Programme and beyond. Leeds plans to review its Rent Strategy for 2014/15 onwards to balance the need to maximise rent increases in order to support service delivery, against the affordability to tenants.

2.5.3 As part of the Asset Management Strategy a number of projects to review the levels of investment needed will be completed during late 2013 and 2014 which will enable the Council to verify the extent of the investment need for future years, including the structural surveys of MSFs, communal building components and a strengthened stock condition surveying policy. This will enable the Council to more accurately forecast its short and long term investment need for future capital programmes.

2.6 Next Steps

2.6.1 Housing Leeds will continue to develop the detail of the Capital Programme, including undertaking validation surveys to confirm the extent of works required to properties. The draft programme and proposed approach will be subject to further consultation with Housing Advisory Board and Area Panels and used for discussion with Contractors in planning early mobilisation, but on the basis that it is indicative and will not be finalised until it is approved by Executive Board as part of the Council's annual budget setting process in February 2014.

3 Using Right to Buy Receipts for New Build

- 3.1 The increase in RTB (Right to Buy) sales in 2013/14, compared to budgeted assumptions, is projected to deliver around £4m of useable capital receipts. As agreed at Executive Board in September 2012 these receipts are to be used to grant fund housing associations to deliver new affordable housing. Under the rules set down by central government these can only fund 30% of the construction cost and that the monies are spend within a three year time frame. Therefore combined with a £9.3m (70%) contribution from housing associations, a new build programme would provide in the region of 130 new properties which could be let at either social and/or affordable rents.
- 3.2 A similar level of sales is anticipated in 2014/15 and this will be used to grant fund housing associations, where a similar level of new build would be anticipated.
- 3.3 In 2012/13 £486k of useable RTB receipts were generated and they are to be used to develop specialist properties for households with a disabled family member. This has been developed in conjunction with Children's Services. Housing associations have been invited to bid for these resources which can fund up to 30% total scheme cost with the remainder coming from the associations' own resources. This first tranche will produce approximately 10 units, to be delivered by Q3 2014.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.2 The 2014/15 Capital Programme has been developed in accordance with the priorities identified in the HRA Business Plan approved by Executive Board in February 2012 and the HRA Business Plan Update to Executive Board in February 2013. There has been extensive involvement from officers from a number of service areas across Housing Leeds to identify the particular areas of investment need and then to prioritise schemes. The draft programme has been considered by Environment and Housing Strategic Leadership Team and the Shadow Housing Advisory Board.
- 4.1.3 Further consultation is planned with Area Panels and Shadow Housing Advisory Board on the proposed capital programme priorities over the next few weeks. This will then inform the final draft Capital Programme which will be submitted to Executive Board for approval in February 2014.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An equality, diversity cohesion and integration screening exercise has been carried out. This has confirmed that equality, diversity, cohesion and integration considerations have been effectively considered in relation to this proposal and that a full impact assessment is not required.

4.3 Council policies and City Priorities

- 4.3.1 The 2014/15 Capital Programme will support the following City Priorities:

- Increase the number of properties with energy efficiency measures.
- Increase the number of properties which achieve and maintain the decency standard.
- Increase the number of long term empty properties brought back into use.
- Reduce carbon emissions.
- Reduce the overall crime rate.
- Reduce the rate of admission to hospital / residential care homes.

4.3.2 The Council Housing Capital Programme also supports the delivery of two of the six best council objectives for 2013-17 – ensuring high quality public services and becoming an efficient and enterprising council.

4.4 Resources and value for money

4.4.1 The Housing Revenue Account Business Plan agreed by Executive Board in February 2012 identified that £56.8m was available to support the 2014/15 Capital Programme. Subsequently Executive Board have agreed to provide support to the Little London Beeston Hill and Holbeck PFI (£5.8m) and the Council's New Build programme (£3m) in July 2012 and September 2012 respectively leaving the amount available at £48m.

4.4.2 The Council can retain a sum of money from the RTB receipt which can be used to either repay the notional debt on the property sold or be used to resource expenditure on housing priorities. A sum of £4m is anticipated in both 2013/14 and 2014/15. Also, the transfer of the housing management function back to the City Council from October 1st means that ALMO reserves of £4m are available to resource housing investment priorities. The likely sum to be available in 2014/15 is therefore £60m.

4.4.3 Housing Leeds ensures that the Capital Programme is managed effectively through effective programme and contract management. A Planned Maintenance Category Management Plan is currently underway which will deliver efficiencies through clear work specifications and improved business processes. This will then inform the future procurement of contractors to deliver investment programmes as efficiently as possible.

4.4.4 Housing Leeds is currently working with the Sustainable Development Unit to maximise the opportunities to access Green Deal / ECO funding to support investment in improving the energy efficiency of non-traditional Council Housing stock. This in turn will reduce the levels of HRA resources required to deliver such energy efficiency improvements to stock.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The Capital Programme has been developed to take account of contractual liabilities to contractors used to deliver capital investment. It has also been

developed to ensure that the directly employed workforce within the internal contractor are fully productive.

4.6 Risk Management

- 4.6.1 The 4 priority groups established to help prioritise schemes within the Capital Programme has been developed based on a risk management approach. Where there is a legislative or regulatory requirement to complete the investment work, these schemes have been prioritised for full delivery within the programme, except where efficiencies can be made. Other schemes have been prioritised where there is a health and safety risk to tenants, or a failure to deliver the investment would jeopardise income into the HRA, e.g. capitalised voids.
- 4.6.2 During the delivery of the Capital Programme, these risks will continue to be managed as part of capital programme monitoring arrangements, and as new risks emerge, the programme will be adjusted accordingly to ensure that emerging risks are addressed and tenants' health and safety maintained.

5 Conclusions

- 5.1 The move towards a citywide Capital Programme offers the Council a number of opportunities. Firstly it enables the Council to direct investment to the areas and stock types which have the greatest investment need. Secondly, it will deliver a consistent investment approach and standard across the city.
- 5.2 A draft Capital Programme for 2014/15 has been developed which focuses on delivering the City Priorities and the Council Housing Asset Management Strategy priorities. The detail of this capital programme will continue to be developed over the coming months, and a final Capital Programme submitted to Executive Board for approval as part of the Council's Budget Report in February 2014.

6 Recommendations

- 6.1 Executive Board is recommended to:
- Note the increase in HRA capital resources available in 2014/15;
 - Agree the proposed approach for the prioritisation of resources in the 2014/15 Council Housing Capital Programme as outlined in the report;
 - Note the Capital Programme for 2014/15;
 - Agree the next steps to finalise the Capital Programme which will be submitted to Executive Board for approval as part of the Council's Annual Budget Report in February 2014.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.