

Report of: Property & Contracts – Investment Strategy

Report to: Housing Advisory Board

Date: 3 February 2015

Subject: Housing Revenue Account Investment Strategy

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 type="checkbox"/> Yes	<input checked="" 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. Over the next 10 years there are sufficient resources available to meet the capital investment need of the existing council housing stock and even generate a surplus.
2. There is a requirement to smooth spend patterns to funding levels in years 1-4. This report contains proposals on how to deal with that.

Recommendations

3. That Housing Advisory Board note the resources available for investment and comment on the smoothing required in years 1-4.

1 Purpose of this report

- 1.1 To update the Housing Advisory Board on the latest position regarding capital investment need in the existing stock and resources available to meet that need, and seek views on the proposals to align spend profiles with income levels in years 1-4.

2 Background information

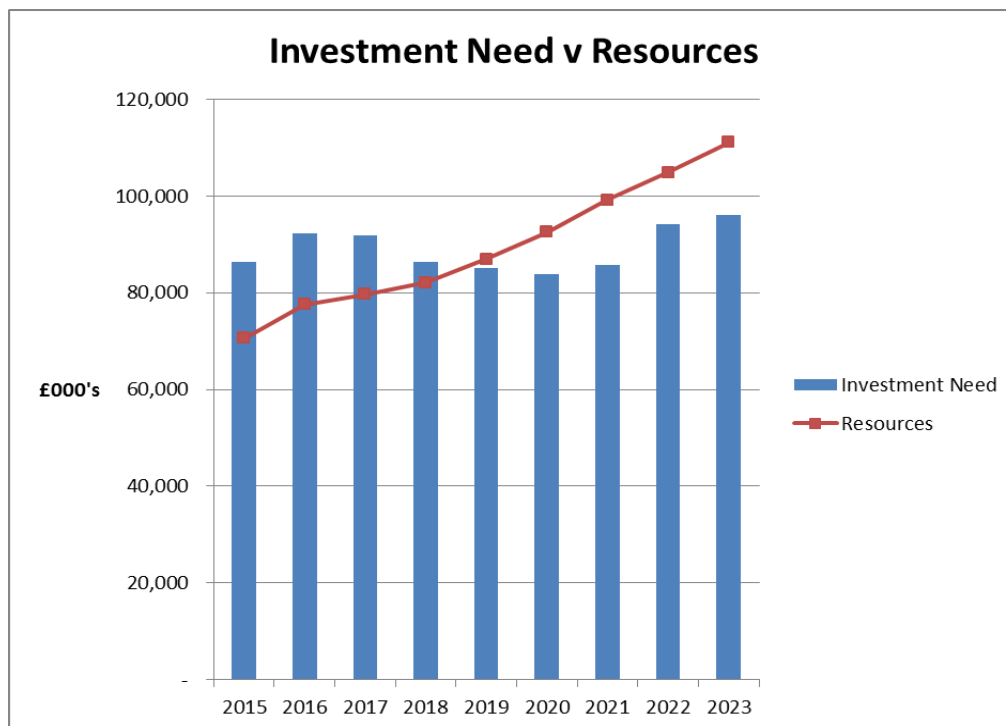
- 2.1 There have been numerous changes affecting the original Housing Revenue Account Business Plan (HRA BP) since it was approved by Executive Board in February 2012. These include:
- the creation of Housing Leeds and the amalgamation of differing investment strategies and programmes into one organisation;
 - revised and updated information regarding investment need, particularly for sheltered housing and multi-storey blocks;
 - the creation of the Council House Growth Programme; and
 - changes to Right to Buy legislation and welfare reforms (affecting HRA income) and changes to potential funding streams, particularly those related to energy efficiency (Green Deal, ECO etc).
- 2.2 Over recent months considerable work has gone into updating the detailed investment need of the housing stock over the next 30 years and the resources available to support it, taking into account the changes noted above. Over the next 10 years almost £95m of additional investment resources, over and above that identified in the original HAR BP, have been identified.
- 2.3 Overall the HRA is healthy and, in the medium and long term, there will be surpluses remaining after investment need in the existing stock is met. Some smoothing is required to match spend to funding in the short term (years 1-4).

3 Main issues

- 3.1 Over the next ten years (2015/16 – 2024/25) there is an additional £95m capital investment resources to spend on improving the council housing stock, compared to the original 2012 HRA BP. This allows Housing Leeds to prioritise investment in key areas as detailed below.
- 3.2 Significant resources will be spent on the stock, including:
- £380m on replacement kitchens, bathrooms, roofs, windows and doors, heating renewals and replacements and rewires;
 - £174m on adaptations, fire safety, asbestos, voids and capital repairs;
 - £130m on improvements to communal areas in blocks of flats, garages, and shops, lift replacements and environmental schemes.

- £53m on structural works to multi-storey blocks and low rise non-traditional housing and remodelling sheltered housing schemes with bedsits and shared bathing; and
- £50m on heating and renewable energy schemes (incl. solar PV), energy efficiency work to multi-storey blocks and low rise 'hard-to-treat' properties and conversion/remodelling of low-demand stock.

3.3 Meeting these investment aspirations over the next 10 years means aligning investment spending to the level of resources available in any given year, or smoothing them, to avoid large over, and then under, commitments. Investment need and available resources are illustrated in the graph below. Overall there is a surplus of c£20m over the 10 years.



3.4 This clearly means that some difficult decisions need to be taken in the short-term (years 1-4) and that not all of the aspirations for the HRA investment programme can be met in this period.

3.5 There has been an ongoing dialogue between the Investment Strategy team, the Head of Finance, Housing Leeds Chief Officers and the Director of Environment & Neighbourhoods as to how to resolve this. Various options have been considered and some additional funding identified.

3.6 The proposed smoothing of investment can be achieved by¹:

- Slipping the budget for Heating and Renewable Energy Measures (c£6m) for the next 3 years (2015/16 - 2017/18) – this was an additional aspiration over and above recent investment and the slippage will allow time for strategic

¹ The saving shown below total c£39m, the balance is made up of associated delivery costs (staffing, overheads, surveys etc).

plans to be drawn up and consulted on. Boiler replacements and renewals, energy efficiency works to some multi-storey blocks and the Solar PV scheme will still be funded.

- Refrain from committing further Environmental Improvement funds (c£6m) for the next 3 years (2015/16 - 2017/18). This will not affect the £3m currently allocated for Environmental works – these schemes will be delivered over the next 18-24 months.
- Reduce expenditure on kitchen, bathroom, window, door and roof replacement programmes by 18% (c£17m) for the next 4 years (2015/16 – 2018/19) and then increase expenditure correspondingly in years 6-10 (2019/20 – 2024/25) to catch up again.
- Remove the budget for installing ‘wet’ heating systems to the Lincoln Green blocks proposed to be connected to the Heat from Waste project entirely (c£10m) and seek alternative means of funding this work, perhaps through prudential borrowing.

3.7 The impact of these proposals should be fairly negligible:

- Key components in need of replacement/renewal will still be replaced.
- There will be a pause in delivering Heating and Renewable Energy Measures but this will allow time for a coherent strategy to be drawn up, detailing and prioritising different works to different property types based on the outcomes of pilot projects such as The Clydes biomass scheme, solar PV scheme and learning outcomes from projects being carried out in conjunction with the University of Leeds and Leeds Beckett University.
- There will also be a pause in the delivery of some Environmental Improvements, although proposals received in 2014/15 will be considered and delivered in late 2014/15 and beyond. Housing Area Panel budgets will not be affected and can still be used to fund environmental works as they are now.
- The proposals also protect investment in key areas, ensuring there are sufficient resources available for statutory requirements (adaptations, fire safety works, asbestos surveying and removal etc), multi-storey block improvements, sheltered housing remodelling, ongoing kitchen/bathroom/window/door/roof replacement programmes and the solar PV scheme.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.5 Consultation has taken place amongst officers and the Executive Member for Neighbourhoods, Planning and Personnel to date.

4.1.6 This paper represents the first stage of wider consultation with members and tenant's representatives.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The considerations in this report relate purely to the condition of the stock the resources available to invest in the stock and do not impact on any particular group.

4.2.2 The proposals ensure that there are still resources available for investment in work-streams that do impact on disabled and elderly tenants, such as adaptations and sheltered housing remodelling.

4.3 Council policies and City Priorities

4.3.1 The ongoing housing investment programme supports a number of Best Council objectives including bringing empty properties back into use (via the voids budget and investment in remodelling of sheltered accommodation) and improving housing conditions by investing significant sums in improvement to the council housing stock.

4.3.2 The proposals in this report will not impact on these work streams.

4.4 Resources and value for money

4.4.1 Over the next 10 years the level of capital investment resources has increased significantly. The capital investment needs of the existing stock can be met and a surplus generated.

4.4.2 The works cannot be front-loaded, due to the resources available. This allows the opportunity for longer term aspirations to be planned out and for Housing Leeds to achieve greater value, and a more equitable balance for customers, in the delivery of these works.

4.4.3 The proposals contained in this report will ensure that Housing Leeds deliver a balanced capital budget over the next four years and ensure the ongoing delivery of many key schemes and projects. They also ensure the 'least worst' impact on tenants.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The proposals in this report ensure sufficient resources are allocated to all works that are legal or statutory requirements.

4.6 This report is not subject to call-in.

4.7 Risk Management

4.7.1 If the proposals in this report are not implemented then the primary risk is that the capital investment programme overspends, impacting negatively on other areas of HRA expenditure.

5 Conclusions

- 5.1 The investment plan is healthy. The investment needs of the existing housing stock for the next 10 years can be met and a surplus generated. In order to deliver balance annual budgets and programmes some smoothing of the programme is required over the next 4 years.
- 5.2 The proposals in this report protect investment in key areas (including statutory requirements) and also minimise the impact on tenants.

6 Recommendations

- 6.1 That Housing Advisory Board note the issues discussed in this paper and comment on the proposals for dealing with the investment shortfall over the next four years.

7 Background documents²

- 7.1 None.

² 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.