

**Report of: Director of Environment and Housing**

**Report to: Executive Board**

**Date: 18 March 2015**

**Subject: Improving the Council's Housing Stock – The Housing Revenue Account Investment Plan**

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

In other reports on the agenda, consideration is given to how the Council supports housing growth. The Authority, however, is also responsible for the maintenance and improvement of its own 57,000 council homes. This report sets out the resources available through the Housing Revenue Account to meet the investment need.

The latest version of the Housing Revenue Account (HRA) Investment Plan indicates that over the thirty year life of the plan there should be sufficient resources available to meet the known capital investment needs of the existing council housing stock. Detailed investment requirements are shown in Appendix 1.

Despite increases in the amounts of capital resources available against the projections set out in 2012, there are cash flow issues which mean that not all investment priorities can be met in the short term (2015/16 to 2018/19). As the Council has increased its ambition through the introduction of a new Housing Standard, there is an increased demand in resources. This report contains proposals to achieve a balanced position over a ten year period, which matches the investment plan against the resources available.

### Recommendations

The Executive Board is requested to support the 10 year HRA Investment Plan, subject to annual review.

## **1 Purpose of this report**

- 1.1 To update Executive Board on the latest position regarding capital investment requirements for the existing Council housing stock, as set out in the investment strategy and to propose how to align investment need with income levels in years 1-4 of the strategy (2015/16 – 2018/19).

## **2 Background information**

- 2.1 The original thirty year HRA Investment Plan approved by Executive Board in February 2012 noted that there were affordability issues in meeting the predicted investment need for the housing stock, particularly in the early years of the plan. It was noted that those affordability issues could be overcome through the managed phasing of essential investment and the building up of reserves over the medium to long term.
- 2.2 Since 2012, the long term balance of resources against investment need has improved. The overall predicted investment need of the stock over 30 years has reduced by 17%. This is primarily due to updated information on stock condition and consequential investment need now being available. It is also due to increased RTB projections and lower inflation assumptions, all of which combine to reduce the estimate for the overall investment need of the housing stock in the longer term.
- 2.3 There have, however, been numerous changes affecting the original HRA Investment Plan since it was approved which increase the short term pressure upon it. These include:
- revised and updated information regarding investment need, including the new Leeds Homes Refurbishment Standard, approved by Executive Board in November 2014. This includes an ongoing commitment to investing in the wider environment, improving the estates within which properties are located;
  - newly arising schemes such as the solar PV and Heat from Waste schemes and updated needs for sheltered housing and multi-storey blocks;
  - 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); and
  - the creation of the Council House Growth Programme.
- 2.4 Over recent months considerable work has gone into updating the detailed capital investment needs of the housing stock and the anticipated resources available to support this, taking into account the changes noted above. This indicates that the predicted investment needs of the stock over the next 10 years have increased by 12% since the original Plan was developed in 2012. This is primarily as a result of revised and updated information on investment need now being available (this includes additional investment requirements in respect of Fire Safety works, sheltered housing remodelling and multi-storey blocks) and the introduction of new investment requirements linked to the Leeds Standard/Refurbishment

Standard (works such as Solar PV, District Heating/Heat from Waste which are the subject of separate reports to Executive Board).

- 2.5 It should be noted that the projections for investment need and available resources are based on the current national policy position. Projections will undoubtedly change particularly beyond 10-years as they become increasingly problematic due to the unknown effects of future government policy, inflation rates, currently unknown investment needs etc. Changes to all of these will make significant differences to the overall need and available resources figures. For that reason this Report concentrates primarily on how to address the issues the Council face over the next 10 years and projections beyond that are indicative and for information only.
- 2.6 Taking all of the above into account it is considered that the HRA is healthy and the investment needs of the stock can be met in totality with sufficient resources likely to be available to meet total investment need. However there are cash-flow issues in the early years and in the absence of additional finance being available, some smoothing will be required to match spend to available funding over the next four years (2015/16 – 2018/19).

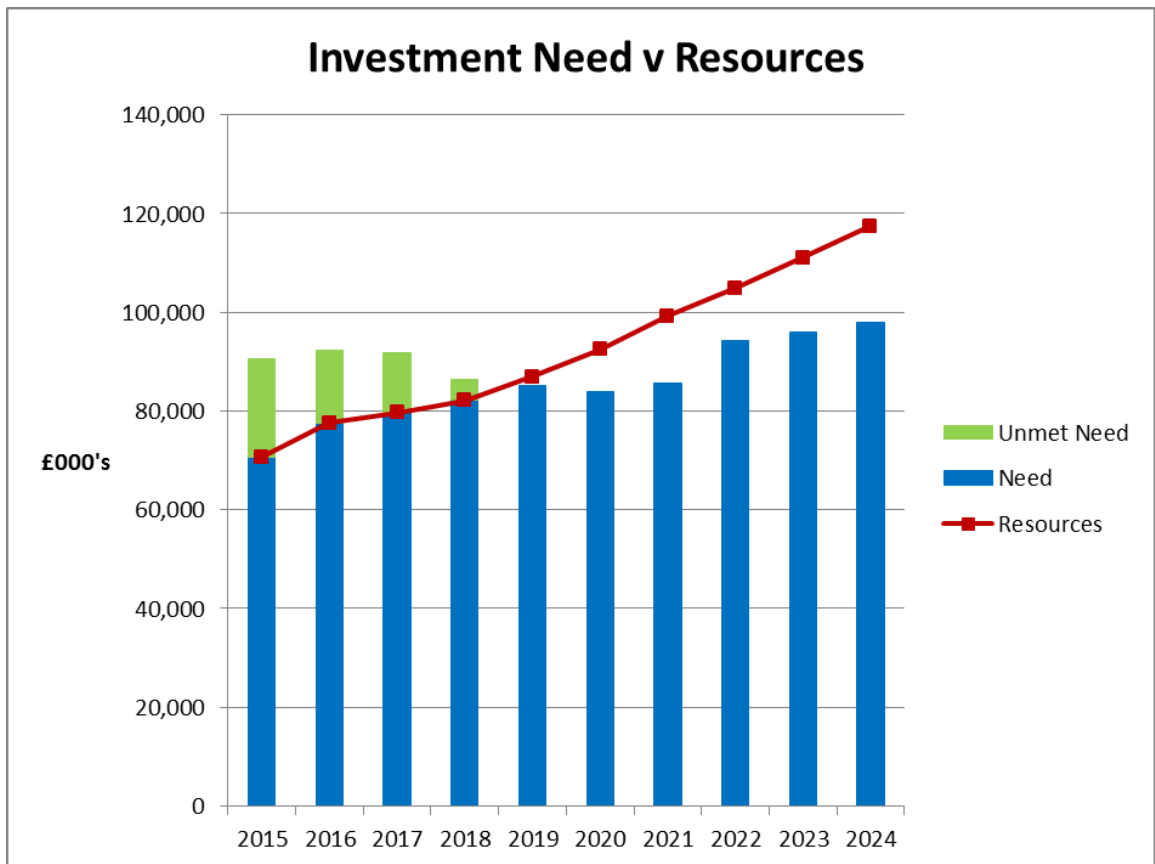
### **3 Main issues over the next ten years**

- 3.1 Over the next ten years (2015/16 – 2024/25) there are a number of key areas of increased investment need when compared to the 2012 baseline, all of which can be funded. These include:
- £6m extra on energy efficiency works to multi-story blocks ;
  - £6m extra on heating and renewable energy measures;
  - £47m extra on communal facilities and equipment and lifts;
  - £5m extra on sheltered remodelling; and
  - £12m extra on fire safety works.
  - There are also new investment requirements which were not anticipated in 2012 but which can also be funded. These will contribute to reducing fuel poverty and carbon emissions in the city. This includes £3.8m on the solar PV scheme (see report elsewhere on the agenda)
- 3.2 Overall, significant resources will be spent on the stock, including:
- £375m on replacement kitchens, bathrooms, roofs, windows and doors, heating renewals and replacements and rewires;
  - £174m on adaptations, fire safety, asbestos, voids and capital repairs;
  - £136m on improvements to communal areas in blocks of flats, garages, and shops, lift replacements and environmental schemes.

- £52m on structural works to multi-storey blocks and low rise non-traditional housing and remodelling sheltered housing schemes with bedsits and shared bathing; and
- £75m on heating and renewable energy schemes (incl. solar PV and District Heating/Heat from Waste), energy efficiency work to multi-storey blocks and low rise 'hard-to-treat' properties and conversion/remodelling of low-demand stock.

3.3 It is proposed to continue to fund the Housing Advisory Panels (HAPs), putting over £10m of investment in the direct control of community representatives and Ward members over the next 10 years. The schemes funded by the HAPs have a focus on environmental improvements and they make a significant contribution to place-making and community cohesion.

3.4 However meeting the investment needs and aspirations over the next 10 years will mean there needs to be an aligning of spending to match the level of resources available in any given year. For the next four years indicative investment need exceeds resources likely to be available and then for the following six years resources exceed indicative investment. Current estimated investment need and available resources over the next ten years are illustrated in the graph below.



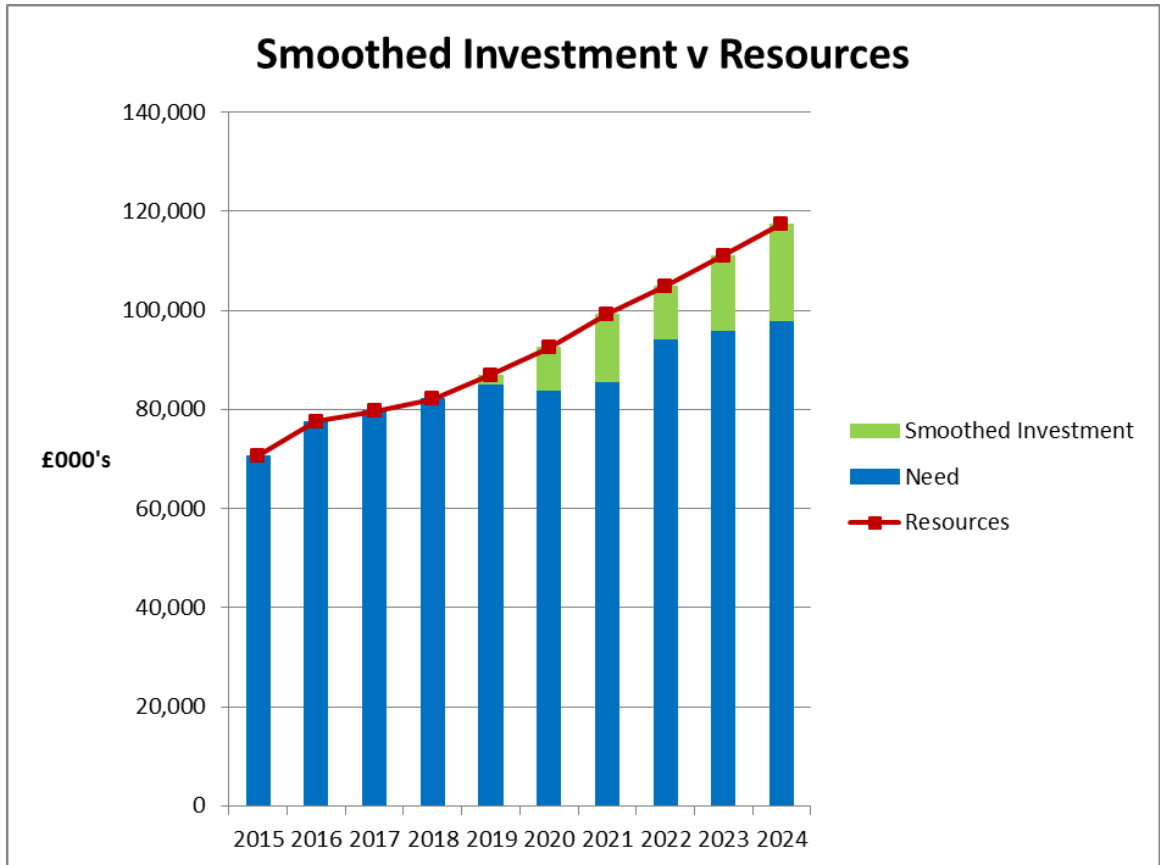
3.5 This graph shows the in-year mismatches which require some decisions to be taken in the short-term (years 1-4) as investment requirements exceed available

resources. As things stand, not all of the aspirations for the HRA investment programme can be met in this period.

3.6 Some potential additional funding has been identified but this is insufficient to bridge the gap. The Housing Advisory Board has considered a report on the issue and has established a short-life Working Group to consider options. The Scrutiny Board (Housing and Regeneration) has also received a Report. Various options have been proposed which it is suggested are considered in more detail:-

- Continue to support the old Decent Homes Standard work such as kitchen, bathroom, window, door and roof replacement programmes. The smoothed plan will deliver around 82% of estimated need in the next 4 years (2015/16 – 2018/19) and then delivery will be increased correspondingly in years 5 -10 (2019/20 – 2024/25) to catch up;
- A commitment to £17m of Environmental Improvements can be funded over 10 years and will ensure ongoing investment in the wider environment, however due to the smoothing requirements this will start in 2018/19. This will not affect the funds currently allocated for Environmental works – these schemes will be delivered over the next 18-24 months; and
- A commitment to increase funding in Heating and Renewable Energy Measures by £17m over 10 years, however due to the smoothing requirements this will also start in 2018/19. This represents additional aspirations over and above recent investment and the delivery timescales will allow time for strategic plans to be drawn up and consulted on. Boiler replacements and renewals, energy efficiency works to some multi-storey blocks, Heat from Waste project and solar PV scheme will still be funded.

3.7 The graph below shows the effect of these smoothing proposals, with unmet need from the first four years being met in years five to ten and expenditure balanced to available in year resources.



3.8 These proposals are not a definitive list and they have been proposed as it is suggested that their impact should be fairly limited as:-

- Key components in need of replacement/renewal will still be replaced as they fail and significant investment will still be made in renewing key building components such as kitchens, bathrooms, roofs, windows, doors, electrical and heating systems;
- The timescales for delivering the full extent of Heating and Renewable Energy Measures 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 be a pause in the delivery of further 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 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; and

- As noted earlier, there is a significant increase in resources committed over the ten years, and this smoothing constitutes only 5% of the total funding.

3.9 Executive Board are asked to agree the above strategy at this stage but also support further work being done to develop the most suitable and effective specific options through a broader consultation process with all stakeholders, particularly existing tenants. In all instances the objective would be to ensure minimum impact and that in as short a period of time as possible all of the Council's housing stock is brought up to the Leeds Homes Refurbishment Standard as approved by Executive Board in November 2014. It is proposed that the Director of Environment and Housing, in consultation with the Executive Member for Neighbourhoods, Planning and Personnel, brings forward the most suitable options for smoothing of the ten year Housing Investment Programme, which will be reflected in the annual capital programme, agreed by the Executive Board.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

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

4.1.7 An earlier version of this paper was presented to the Housing Advisory Board (HAB) in February 2015. A short-life Working Group of HAB has been established to look at options for addressing the resource gap in more detail.

4.1.8 An earlier version of this paper was also presented to Scrutiny Board (Housing and Regeneration) in February 2015. Comments and concerns expressed by the Board have been incorporated into this paper.

4.1.9 The Housing Capital Programme for 2015/16 was agreed in totality by Executive Board in February 2015 as part of the 2015/16 Budget proposals. The detailed Programme will be subject to a Delegated Decision in March 2015.

4.1.10 Detailed plans for communicating the approved capital programme for 2015/16 – 2017/18, and the longer term proposals in this report, to tenants and Ward members will be drawn up following approval of the proposed approach by Executive Board. It is intended to share details of proposed capital programmes with ward members and tenants in advance of the financial year in which they are to be carried out. Once proposals for dealing with the cash flow issues discussed in this paper are firmed up, it may also be possible to share draft programme proposals even further in advance, subject to the usual caveats regarding need, funding etc.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 An Equality and Diversity, Cohesion and Integration is attached as Appendix 2. This shows that the considerations in this report relate purely to the condition of

the stock and 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.

4.2.3 The proposals in this report will not impact on these workstreams.

### **4.3 Council policies and City Priorities**

4.3.1 The ongoing housing investment programme supports a number of Best Council objectives and priorities including:

- Helping people out of financial hardship and into work – by reducing fuel bills via energy efficiency schemes and creating jobs and training opportunities via construction contracts.
- Strengthening local accountability – by funding Housing Advisory Panels.
- Boosting the local economy – by creating significant amounts of construction work in the city; increasing disposable incomes by reducing fuel bills via energy efficiency works.
- Developing a low carbon, resilient energy infrastructure for the city – by funding energy efficiency works, solar PV and Heat from Waste schemes.
- Reducing NEETs and raising educational standards – by providing training opportunities and apprenticeships via construction contracts.
- Housing Leeds activity currently supports c80 apprentices and it is planned to recruit a further 40.
- Helping people stay living at home – by providing adaptations and improving and remodelling sheltered housing provision.
- Providing choice by creating the right housing, care and support – by improving and remodelling sheltered housing provision.
- Generating income for the council – by funding schemes such as solar PV, which generate a long-term income to the council.

### **4.4 Resources and value for money**

4.4.1 Over the next 30 years the level of capital investment resources has increased significantly. The capital investment needs of the existing stock can be met.

4.4.2 The works cannot be front-loaded, due to the resources available in the early years (2015/16 – 2018/19). 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 subject to call-in.

4.7 The Housing Leeds capital programme will reflect the smoothing strategy discussed in this report. Agreement of the capital programme is a key decision and the programme will be agreed by Executive Board and Council annually, as part of the budget setting process, ensuring Members make the final decision on capital investment in council housing.

#### **4.8 Risk Management**

4.8.1 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 Current projections show that in the long term the Housing Revenue Account is healthy. The investment needs of the existing housing stock can be met. In order to deliver balanced annual budgets and programmes some smoothing of the programme is required over the next 4 years.

5.2 The smoothing proposals in this report protect investment in key areas (including statutory requirements) and also minimise the impact on tenants.

### **6 Recommendations**

6.1 The Executive Board is requested to support the 10 year HRA Investment Plan, subject to annual review.

### **7 Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> 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.