

Report of: Director of Resources and Housing

Report to: Executive Board

Date: 15 November 2017

Subject: Beyond Decent Homes – The 2018 Housing Revenue Account Capital Investment Plan

Are specific electoral wards affected? If yes, 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 checked="" type="checkbox"/> Yes <input 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

The Council is responsible for the maintenance and improvement of some 56,000 council homes. The Housing Revenue Account (HRA) is under pressure due to changing government policy. Consequently there is less funding available for capital investment. At the same time there are also newly emerging and anticipated investment requirements, such as those arising from the Grenfell Tower fire.

This report sets out the investment proposals for these properties over the next decade. Despite significant pressures this programme will ensure that newly emerging investment needs will be met, ensuring the safety of residents whilst also improving energy efficiency and maintaining decent homes. These proposals help to deliver the Best Council Plan outcomes for everyone to live in good quality, affordable homes and to be safe and feel safe.

Recommendations

The Executive Board is requested to support the enclosed 10 Year HRA Capital Investment Plan, subject to further annual review as part of the HRA Business Plan.

The Executive Board is requested to support the lobbying of government to provide funding for any newly arising fire safety requirements coming out of the Grenfell Tower

inquiry, such as the installation of sprinklers in all high-rise stock and to remove the HRA borrowing cap to allow the replacement of homes sold under the Right to Buy.

1. Purpose of this report

- 1.1 To update Executive Board on the latest position regarding capital investment proposals for the HRA assets – c56,000 homes/dwellings, c6,000 garages and several hundred commercial properties, housing offices, etc, – over the next 10 years.

2 Background information

- 2.1 The HRA became self-financing in 2012. The first self-financing HRA Business Plan was approved by Executive Board in February 2012. This included details of the investment standard to be achieved from capital expenditure on the stock. A paper on a revised and updated HRA Investment Plan, incorporating newly arising investment needs, was subsequently approved by Executive Board in March 2015. By the end of this financial year, we will have spent c£19m on support for adaptations to enable independent living, c£37m on heating and energy efficiency works to reduce fuel poverty and carbon emissions and c£46m on improving general property facilities and condition.
- 2.2 A fully revised and updated HRA Business Plan was then approved by Executive Board in March 2017. This noted that a revised investment strategy would be presented to Executive Board in autumn 2017. This being required due to a reduction in anticipated HRA income resulting from legislative changes introduced by government, and the impact this had on capital resources available for investment in the HRA stock.
- 2.3 Alongside these resource pressures, there have also been further developments in our understanding and predictions of the investment requirements of the stock. These include likely additional fire safety requirements arising from the inquiry into the Grenfell Tower fire, as well as increased investment on proactive issues to improve health outcomes to certain parts of our stock type and increased costs for works to tower blocks, alongside a reducing requirement for investment in decent homes type works (kitchens, bathrooms, roofs, windows and doors).
- 2.4 Since the Grenfell Tower fire considerable work has been undertaken by Housing Leeds to ensure that tenants and residents of our high-rise blocks are reassured and supported. We sent a total of four letters to all high-rise residents reassuring them about the external wall insulation fitted in Leeds, informing them about our sprinkler program, providing general fire safety advice and worked closely with West Yorkshire Fire Service to achieve this.
- 2.5 Drop in sessions were organised to cover all high rise blocks giving the opportunity for residents to raise any fire safety concerns and for them to be answered. If residents could not make a drop in session, they could use the new dedicated high-rise fire safety support email system to ask questions.
- 2.6 The Housing Leeds Fire Safety Team arranged for a third party accredited company (FIRAS) to inspect all Council high rise blocks with external wall insulation. FIRAS have now provided certification confirming that all our blocks have achieved the necessary standards.

3 Main Issues

3.1 Capital Funding:

3.1.1 It is currently estimated that the HRA will have £283m less income over the next ten years, as a result of government rent reduction policy to 2020. The impact of this is a necessary reduction in capital funding. The capital funding available for investment in the HRA stock over the ten year period from 2018/19 is now estimated at £798m.

3.1.2 Also, as noted in the March 2017 HRA Business Plan Executive Board report, there are a number of risks going forward that could result in further reductions in HRA income and, in turn, reduce funding available for capital investment. These include the roll-out of Universal Credit, increased Right to Buy (RTB) sales. Either of these could impact further on HRA income and, in turn, capital funding and therefore our investment plans. This will be kept under review as part of the proposed annual review of the HRA Business Plan by Executive Board.

3.2 Revised Investment Plans

3.2.1 Since 2015 a number of increased investment requirements have come to light. Other proposals have been developed further. Some of the main areas of planned expenditure include:

3.2.2 Fire Safety and Compliance:

There has been considerable investment in fire safety works over recent years. The 2015 investment plan allowed for further investment over the next decade to maintain the fire safety concordat agreed with West Yorkshire Fire and Rescue Services (WYFRS). Costs for some of these planned works have increased and further best practice requirements have emerged. Although it is likely to be some considerable time before the findings of the Grenfell Tower enquiry are known, we currently anticipate that there could now be up to £52m of additional fire safety works required in our stock in total, once best practice and new requirements are factored in. A large proportion of this (c£32m) is for the cost of installing sprinklers in all high-rise blocks (sprinklers have only been installed in sheltered high-rise to date). We have made £10m available to fund further sprinkler installations in high risk blocks, identified on a number of factors including height, no. of stairwells, instances of fires and vulnerability of residents.

Planned Investment – c£30m.

NB: The £22m cost of installing sprinklers in lower risk high-rise blocks is currently an unfunded pressure in our investment plan. Executive Board are asked to support the ongoing lobbying of government to fund these works. If additional funding for these works is not made available from government then they will have to be funded from existing resources, meaning that it will not be possible to carry out all the works currently contained in the investment plan.

3.2.3 Improving the High-Rise Offer:

High Rise Safety and Security Works and Family Friendly Blocks – in October 2016 Executive Board approved a revised high-rise strategy which included £5m of investment in blocks identified as in greatest need of security enhancements and with highest concentrations of families in them – making them safe and secure for all residents. A further £10m has now been identified to continue the roll-out of these proposals to other blocks and further enhance the management

and aesthetic appeal of our high-rise stock. Further investment in these properties is detailed elsewhere in this report.

Planned Investment – c£15m.

External Wall Insulation, Structural Works and Concrete Repairs – thirteen of our Reema blocks require structural improvements as well as external wall insulation. A scheme of works for two Reema blocks has been in development for some time, with the cost of these works currently estimated at c£3.75m per block, meaning the overall estimated cost of works to the Reema blocks alone is now c£49m, if all require a similar level of works. A number of other blocks also require external wall insulation. There were existing plans for 8 x Townsen and 1 x Cook blocks recommended by Arup. Since then there have been further EWI proposals developed for four other blocks. At an estimated cost of £0.75m each this represents a further £10m of works required. There is also an ongoing programme of concrete repairs to the facades of the high-rise stock.

Planned Investment – c£68m.

Improving the High Rise Offer - Total Planned Investment – £83m.

NB: there are proposals elsewhere in this report that also contribute to improving the high rise offer, such as those to improve the heating systems in the blocks.

3.2.4 Health & Affordable Warmth

Heating and Hot Water Installations – the investment plan funds c£74m of gas heating and hot water renewals and new installations over the next ten years. This is largely driven by the annual servicing of gas appliances, replacing those boilers at the end of their economic life. It also includes new installations, new connections to gas where possible (to allow conversion from electric heating and hot water systems to gas) and the renewal of electric heating systems where required.

Planned Investment – c£76m

Maintaining Independence, Preventing Falls – there is c£56m allocated to our aids and adaptations budget, promoting independence and preventing falls by providing bespoke adaptations in response to detailed tenant requirements. These range from ramps and grab-rails to adapted bathrooms, level access showers and stair-lifts.

Planned Investment – c£56m

Damp and Mould Prevention – the incidence of disrepair claims against the council has highlighted issues with damp and mould in certain property types. A specific programme of preventative works is being developed to target these issues, with c£14m currently allocated for this, such as pro-active ventilation and the prevention of penetrating damp. There is also £11m allocated to dealing with active disrepair claims.

Planned Investment – c£25m

Health & Affordable Warmth - Total Planned Investment - £157m.

Low Carbon and Energy Efficiency:

District Heating Schemes – previous reports to Executive Board have detailed the development of a district heating and ‘spine’ network, delivering affordable heat from the Recycling and Energy Recovery Facility at Cross Green to 30 high-rise blocks in Burmantofts and Richmond Hill. There is c£9m in this investment plan to support this work. There is also a further £24m allocated to the development of a further six discrete district heating clusters, providing affordable heating and hot

water to an additional 26 high-rise blocks.

Planned Investment – c£33m.

Electrical Heating and Hot Water Upgrades – the investment plan funds c£11m of works to upgrade the electrical heating and hot water facilities in the high rise blocks that would not be benefitting from district heating proposals in future years. These will ensure modern, economical and controllable systems are in place, with 'wet' boiler and radiator systems installed where possible. While developing these proposals it became apparent that the existing electrical mains infrastructure in some blocks was at capacity and would need upgrading to safely accommodate the increased electrical loads resulting from improved heating and hot water systems. There is c£10m allocated for this work.

Planned Investment – c£21m.

Insulation – Low and Medium Rise – there is c£25m allocated to installing external wall insulation to our low and medium rise non-traditional and hard to treat stock (system built and solid walled properties). There is also a further c£1m allocated for the installation of loft and cavity insulation where it has not been provided before or needs topping up. We will use this funding to leverage in further funding to support this type of work wherever possible.

Planned Investment – c£26m

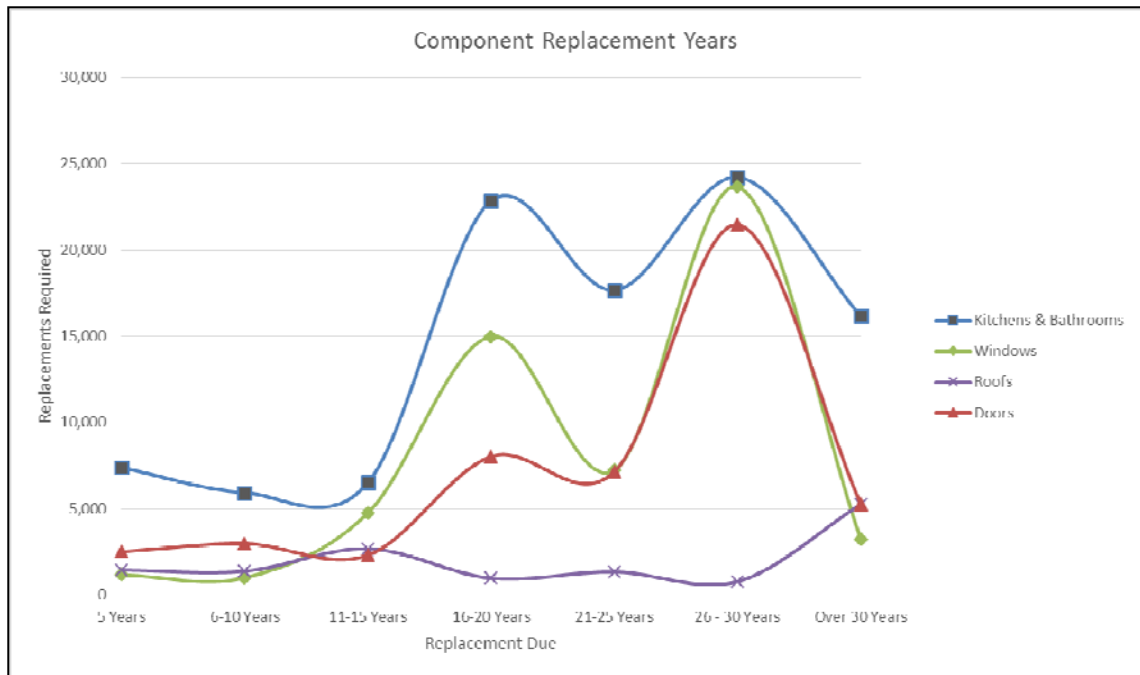
Communal Electrical Improvements – the investment plan provides funding for the replacement of all lighting in communal areas of the high rise stock with LED lighting, whilst also installing new security lighting.

Planned Investment – c£5m.

Low Carbon and Energy Efficiency - Total Planned Investment –£85m.

3.2.5 **Decent Homes and Quality of Life:**

Decent Homes - since 2015 a significant number of stock condition surveys have been carried out. These have identified a lower than anticipated requirement for investment in decent homes works. This is a reflection of the investment made in these components as part of the decent homes programme. The majority are all still well within their expected lifespan and do not require replacement in the next 10 years. The need for replacement of kitchens, bathrooms, windows and doors, all of which have lifecycles of 30-40 years, is relatively stable for the next 15 years and then increases steadily, reaching a peak in years 21-30. The need for replacement roofs remains low over the same period, a reflection of the longer expected lifecycle of at least 50 years. This is illustrated below:



The investment plan therefore allocates c£94m for kitchens and bathrooms, c£16m for windows and doors, and £41m for roofing over the next ten years.

Planned Investment – c£161m.

Painting and Estate Environment – there is c£6m allocated for environmental improvements such as fencing and parking and a further £3m to begin addressing some of the issues around our garage sites. There is also c£2m allocated for the ongoing maintenance of estate shops and other leased assets.

Planned Investment - c£11m.

Decent Homes and Quality of Life - Total Planned Investment –£162m.

- 3.3 The proposed HRA Investment Plan is detailed in Appendix 1.
- 3.4 Flexibility will be maintained in the annual funding allocations and proposed programmes, to take advantage of any funding opportunities that arise e.g. bringing forward priority works and/or funding to leverage in match funding from external agencies wherever possible.
- 3.5 More generally, any new investment proposals (over and above those contained in this investment plan) will need to have corresponding proposals as to how they are to be funded (e.g. currently planned works not now required, from savings made on other schemes etc).
- 3.6 Newly arising capital investment proposals will therefore be prioritised according to the following, with works that contribute to legislative requirements, the health, safety or wellbeing of residents taking precedence over others:
- Top priority – legislative requirements, health, safety and wellbeing (e.g. fire safety, asbestos, DDA, heating and insulation, lifts, aids and adaptations etc);
 - High priority – structural works and key building components (e.g. structural remedials, concrete repairs, roofs, chimneys, pointing, damp proof courses, windows and doors etc).
 - Medium Priority – internal works and non-key building components (e.g. kitchens, bathrooms, internal communal areas in blocks etc).

- Low priority – environmental and estate improvements (e.g garages, fencing, paths etc).

3.7 Going forward, the HRA Investment Plan will be reviewed by Executive Board annually, alongside the HRA Business Plan. This will allow scrutiny of newly arising investment needs and proposals at the same time as making decisions around the resources made available to fund it.

3.8 The HRA BP currently projects a total loss of over 4,500 properties over the next ten years due to RTB sales. It should be noted that there is no provision, or capacity, within this investment plan to fund the replacement of council homes sold under the RTB. This is due to the age of the HRA stock and the current competing demands on capital resources. Future works need to be prioritised and programmed in to allow the development of specifications and subsequent procurement activity. The funds collected from the rental of our existing stock are needed to fund it's management and ongoing maintenance. There is still considerable demand for social housing in Leeds and we will continue to seek supplementary resources to fund new provision as when it is available. However the only real viable option is for sustainable long-term borrowing against the existing stock to fund new provision.

3.9 Looking beyond the 10-years under discussion here, very generally we anticipate different areas of HRA investment becoming more cyclical in nature, with peaks and troughs in 'decency' type investment being alternated with peaks and troughs in health, safety and security, energy efficiency and communal improvements outlined here. Our procurement plans will be tailored to accommodate these changing contractor requirements and specialisms over time.

4 Corporate considerations

4.1 Consultation and engagement

4.1.1 Consultation has taken place amongst officers and the Executive Member for Communities.

4.1.2 The asset management principles underpinning this investment have been discussed and agreed with the Housing Advisory Board (HAB) and the Voice of Involved Tenants Across Leeds (VITAL).

4.1.3 The detailed Housing Capital Programme for 2018/19 will be agreed by Executive Board in February 2018 as part of the 2018/19 Budget proposals. The detailed Programme will be subject to a Delegated Decision in March 2018.

4.2 Equality and diversity / cohesion and integration

4.2.1 An EDCI screening exercise has been undertaken. This has not identified any detrimental effects on any particular protected characteristics. Instead it shows that the investment plan makes a positive difference, for example in energy efficiency works to reduce fuel poverty, funding aids and adaptations to enable independence and remodelling sheltered schemes to provide modern accommodation.

4.2.2 The EDCI screening document is attached as Appendix 2.

4.3 **Council policies and best council plan**

4.3.1 The investment in council housing and neighbourhoods contained in this investment plan contributes to numerous Best Council Plan priorities, including:

4.3.2 Good Growth – expenditure in council housing creates jobs and training opportunities in the construction industry; reducing heating costs increases disposable income for local communities.

4.3.3 Health and Wellbeing – ensuring our properties are safe and warm contributes to the mental and physical wellbeing of our tenants; funding adaptations helps falls prevention.

4.3.4 Transport and Infrastructure – our investment plans help to meet housing needs, improve housing quality and regenerate neighbourhoods. However, as noted above, there are no surpluses in the investment plan to support the housing growth priority.

4.3.5 Low carbon – investing in district heating schemes and improving the energy efficiency of our stock contributes to reducing emissions and fuel poverty in the city.

4.4 **Resources and value for money**

4.4.1 The proposals contained in this investment plan represent the agreed asset management principles and ensure the condition of the HRA stock is maintained whilst also enhancing its health and safety, security and energy efficiency.

4.4.2 The installation of new components/systems requiring regular servicing (e.g sprinkler systems, stair-lifts etc) will increase pressure on these revenue budgets.

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.

4.5.2 This report is subject to call-in.

4.5.3 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.

4.5.4 In addition, individual Key decisions taken to implement the Capital Investment Plan will be taken in accordance with the Council's decision making governance procedures including publication of relevant notices and availability for call-in.

4.6 **Risk management**

4.6.1 This investment plan ensures investment in key legislative areas is protected, thereby mitigating risks faced by Housing Leeds and our tenants.

4.6.2 There is an ongoing risk that HRA income will be reduced further, resulting in reduced funding available for investment, as noted in 3.1.2. This will be mitigated

by keeping the HRA BP and accompanying Capital Investment Plan under annual review.

5 Conclusions

- 5.1 The reduced need for expenditure on decency type works over the next ten years allows for a refocussing of HRA investment on fire safety and compliance; improving the high rise offer; health and affordable warmth; and low carbon and energy efficiency. This builds on the investment under the decent homes programme and ensures we deliver modern, fit for purpose homes and neighbourhoods.
- 5.2 However, the installation of sprinklers in all our high rise blocks remains a particular challenge, and is currently largely unfunded. If additional funding for these works is not made available from government then they will have to be funded from existing resources, meaning that it will not be possible to carry out all the works currently contained in the investment plan.
- 5.3 There is also no capacity within this investment plan to fund the replacement of council homes sold under the RTB.

Further reductions in capital funding will present significant challenges in maintaining or improving the condition of the HRA stock.

6 Recommendations

- 6.1 The Executive Board is requested to support the enclosed 10 Year HRA Capital Investment Plan, subject to further annual review as part of the HRA Business Plan.
- 6.2 The Executive Board is requested to support the lobbying of government to provide funding for any newly arising fire safety requirements coming out of the Grenfell Tower inquiry, such as the installation of sprinklers in all high-rise stock and to remove the HRA borrowing cap to allow the replacement of homes sold under the Right to Buy.

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.