

Birmingham City Council

Report to Cabinet

17 March 2020



Subject:	BIRMINGHAM COUNCIL HOUSING INVESTMENT PROGRAMME 2020/22
Report of:	Acting Director of Neighbourhoods
Relevant Cabinet Member:	Councillor Sharon Thompson – Cabinet Member for Homes and Neighbourhoods Councillor Tristan Chatfield – Cabinet Member for Finance and Resources
Relevant O & S Chair(s):	Councillor Penny Holbrook – Housing and Neighbourhoods Overview and Scrutiny Committee
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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007169/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 This report sets out the Housing Investment Programme for 2020-2021 and 2021/22, including the continuation of the Birmingham Municipal Housing Trust (BMHT) newbuild programme for Council homes and homes for sale across the city. It also provides an update for the Housing Investment Programme 2019-2020, including an additional £4.7m for fire risk management.

2 Recommendations

That Cabinet:

- 2.1 Approves the Full Business Case Appendix 1 for the scope of works to be included in the Housing Investment Programme 2020–2021 and 2021-2022, including fire suppression systems, at an estimated capital cost of £70.021m and £59.946m respectively, together with adaptations at an estimated cost of £6.056m and £6.128m over the same period.
- 2.2 Authorises the Director Neighbourhoods, and the Assistant Director Housing in conjunction with the Head of Capital Investment to allocate the housing investment works with the procured service providers in accordance with the scope of those contracts.
- 2.3 Notes the allocation for the Clearance and Acquisitions programme of £7.500m in 2020/21 and 12.092m in 2021/22, together with the allocation for the BMHT New Build programme of £39.698m in 2020/21 and £48.686m in 2021/22. This is included within the overall public sector housing capital budget, with specific scheme details to be the subject of further reports as appropriate sites are identified.
- 2.4 Authorises the City Solicitor to negotiate, execute, seal and complete all necessary documents to give effect to the above recommendations.

3 Background

- 3.1 The City Council currently owns and manages a portfolio of approximately 60,000 residential properties. This includes a high proportion of non-traditionally built homes and the average age of our properties is approaching 70 years.
- 3.2 To safeguard the condition/asset value of our stock achieved through previous capital investment programmes, all future investment programmes will be targeted on the principle of expired component lifecycles where the housing stock will self-select for inclusion in the programme based upon the expired lifecycle rule. An investment programme of fire risk management to residential buildings, including the installation of sprinklers, is also included in line with the latest government's guidance and recommendations.
- 3.3 The Housing Revenue Account (HRA) Business Plan Budget 2020+ is included in the overall Council Business Plan and Budget which sets out the long term service and financial strategy. The key asset management principles are set out below:
 - 3.3.1 Continued maintenance to protect the investment already undertaken as to avoid impairment/disrepair charges and to allow retention of affordable future debt levels. This will include the lifecycle replacement of major property components (e.g. windows, heating, kitchens, bathrooms, roofs, electrical and structural works). The outcome of this expenditure is detailed in Appendix 2.

- 3.3.2 To deliver bespoke structural investment packages including, external wall insulation, roofing, windows, heating, lighting and the installation of fire suppression systems (sprinklers) and fire risk management works to tower blocks across the city.
 - 3.3.3 To provide an ongoing programme of adaptations to council dwellings to promote independent living.
 - 3.3.4 Clearance of obsolete and unviable dwellings together with a new build programme to provide replacement affordable council housing, alongside new homes for sale to deliver sustainable mixed tenure neighbourhoods.
- 3.4 The Investment Programme will be delivered through the existing contracts for Responsive Repairs & Maintenance Services, Gas Servicing, Capital Improvement Work Programmes including Major Adaptations to Council Housing Stock in the North, South, Central West and East areas of Birmingham.
- 3.5 A yearly sum of £0.8m has been identified in Appendix 2 for capital environmental works to HRA assets in neighbourhoods. It is proposed that this sum be allocated based on housing stock in that locality and that local elected members will be consulted and involved in the decisions.
- 3.6 The 2019-2020 Capital Investment Programme budget allocation is projected to achieve 100% budget spend. Further details are set out in Appendix 1.
- 3.7 The BMHT development programme continues to identify sites for newbuild housing, and to appropriate these from the General Fund into the Housing Revenue Account and develop detailed proposals in consultation with communities. This includes a limited amount of targeted demolition of council housing that is uneconomic to retain, and less popular with residents. The units delivered or due in 2019/20 and those forecast in 2020/21 and 2021/22 are set out at Appendix 2.
- 3.8 It should be noted that due to the timescales associated with newbuild delivery, a scheme may be funded over two or more financial years. Expenditure on newbuild in a given year may not therefore directly reflect the number of homes delivered that year. The risks associated with all stages of development mean that budget spend may periodically slip due to a range of external factors. The current programme has been adjusted to be prudent and allow for a degree of slippage.

4 Options considered and recommended proposal

- 4.1 The option of not investing in the improvement of our housing stock is discounted as it would result in an increasing number of properties becoming unlettable and increasing levels of disrepair litigation.

- 4.2 The allocation of resources between different components within the programme is derived from detailed stock condition information. Whilst it would be possible to allocate resources differently between priorities within the proposed programme, the current arrangement represents the best fit in terms of value for money and protecting the Council's assets and responding to latest government's guidance and recommendations in relation to fire risk management.
- 4.3 The BMHT development programme is essential to sustain the supply of affordable homes in the city, countering the loss of homes to the Right to Buy, and to improve the quality of the homes available. In addition to the BMHT programme discussions are in hand with Registered Providers to secure additional affordable housing. However, this remains a small stream of new supply in relation to need. The rationale for the Council to continue to build new homes is therefore still strong.
- 4.4 The recommended proposal would be to continue with the existing Capital Investment Programme as set out in this report and reviewed annually.

5 Consultation

- 5.1 We will continue to work with residents, housing management teams and elected members in relation to environmental works investment projects.
- 5.2 The City Housing Liaison Board has been consulted about the programme as outlined in this report. Tenant Management Organisations (TMOs) and Leaseholders will be consulted prior to works being undertaken in accordance with the terms of Modular Management Agreement (MMAs) / leases respectively.
- 5.3 Schemes of newbuild council housing proposed across the city will be subject to local consultation with residents, Ward Members and other stakeholders to ensure that they are appropriate and deliverable.

6 Risk Management

- 6.1 All risks are monitored as part of the contractual process on a weekly/ monthly basis in relation to operational activity and financial outcomes. Broad risks are defined in Appendix 3.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.1.1 This contract contributes to the Council Plan outcomes 2, 3, 4 & 6
- 7.1.2 Improving the Council owned housing stock directly contributes to the strategic outcomes of the Sustainable Community Strategy, the proposed Council Business Plan and Budget 2020+. Stock improvements will also impact upon the other strategic outcomes, most notably on the aspiration for healthier communities and carbon reduction.

- 7.1.3 The Council will upgrade its stock's thermal performance by energy efficient measures that may include whole property retrofit in line with the City's wider sustainability strategy set by Birmingham's Green Commission through the Carbon Roadmap. These works will include the replacement of existing older inefficient heating systems, external insulation, hard to treat cavity wall and loft insulation and any other innovative energy efficiency works. This will further contribute to targets within the Commission's Carbon Roadmap to reduce carbon dioxide emissions by 60% by 2027 and alleviate fuel poverty. The Council's approach will be to identify additional funding routes such as Energy Company Obligation (ECO), Renewable Heat Incentive (RHI) and any other funding routes that may become available in the future.
- 7.1.4 The Council will seek to upgrade its newbuild property specification to a higher standard of thermal performance and energy efficiency, to ensure that new homes are delivered that relieve fuel poverty and reduce carbon outputs.
- 7.1.5 The Council and its contractors will work with local educational facilities providing opportunities for young people to learn about skills and apprenticeships within the building industry.
- 7.1.6 The Council and its contractors will ensure continued independence for the residents of Birmingham with the delivery of aids and adaptations to the residents' homes.
- 7.1.7 The Council and its contractors will ensure that all waste is recycled appropriately, that their carbon footprints are reduced through the use of electric or hybrid vehicles where possible.
- 7.1.8 The Council and its contractors will contribute to any homeless reduction initiatives by providing empty properties for reallocation within the appropriate timescales.

7.2 Legal Implications

- 7.2.1 The proposed allocation of work is consistent with the effective management of the Council's housing stock under Part II Housing Act 1985.

7.3 Financial Implications

- 7.3.1 The total capital funding for these schemes is contained within the HRA Business Plan Budget 2020+ and summarised in Appendix 2. The programme will be funded in line with the anticipated resources set out in the Council's Business Plan and Budget 2020+, subject to approval at the Council Meeting on 25th February 2020.
- 7.3.2 The increase of £4.7m on the Housing Investment Programme in 2020/21 is largely due to the installation of new fire doors and further programme works on high rise fire risk management. There are reductions on the sprinkler programme, which will be in its last year, and the kitchens and bathrooms programmes.

- 7.3.3 This capital expenditure will ensure that the properties remain available for letting, hence protecting the net rental income to the Housing Revenue Accounts (HRA) in line with the Council's proposed Business Plan and Budget 2020+.
- 7.3.4 In the event that capital resource availability for these purposes is changed, the programme will be amended to reflect such changes through the existing quarterly review process with detailed approval to be sought through Cabinet Member and Acting Assistant Director Housing, as appropriate.
- 7.3.5 The investment programme includes £12.0m of planned expenditure relating to the retrofit of fire suppression systems (sprinklers) as part of an overall 3year programme which will eventually cost circa £31.0m. It should be noted that this funding was achieved largely through prudential borrowing with no financial contribution from Central Government.

7.4 Procurement Implications (if required)

- 7.4.1 The existing contracts for Responsive Repairs & Maintenance Services, Gas Servicing, Capital Improvement Work Programmes including Major Adaptations to Council Housing Stock in the North, South, West-Central and East areas of Birmingham have been extended to 2022. A further exercise will be undertaken to determine whether to extend for a further two years as per the current contractual arrangements.

7.5 Human Resources Implications (if required)

- 7.5.1 No specific issues identified.

7.6 Public Sector Equality Duty

- 7.6.1 In relation to the programme, due regard has been paid to the requirements of the Equality Act 2010 and an Equality Assessment has been carried out which has shown that the programme will not have any adverse effects due to the resulting extended lifecycles of the housing stock, improvements to the thermal comfort, installation of fire suppression systems (sprinklers) and the quality of life for the Council's tenants. Appendices 4a and b.
- 7.6.2 The requirements of Standing Order No. 9 in respect of the Council's Equal Opportunity Policy will be incorporated in the contracts for projects carried out within the programme.

8 Background Documents

- 8.1 Council's Business Plan and Budget 2020+

9 Appendices

- 9.1 Appendix 1 Full Business Case – see separate attachment
- 9.2 Appendix 2 Public Sector Housing Capital Investment 2020/21 to 2021/22
- 9.3 Appendix 3 Risk Assessment
- 9.4 Appendix 4A Public Sector Equality Duty Statement
- 9.5 Appendix 4B Equality Assessment