

Report to:	CABINET
Report of: Date of Decision:	Acting Strategic Director of Place 14 February 2017
SUBJECT:	BIRMINGHAM COUNCIL HOUSING INVESTMENT PROGRAMME 2017/18 to 2019/20
Key Decision: Yes	Relevant Forward Plan Ref: 002901/2017
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Member(s):	Councillor Peter Griffiths – Cabinet Member for Housing and Homes Councillor Majid Mahmood – Cabinet Member for Value for Money and Efficiency
Relevant O&S Chairman:	Councillor Victoria Quinn – Housing and Homes Councillor Mohammed Aikhlaq– Corporate Resources and Governance
Wards affected:	All

1. Purpose of report:
<p>1.1 To seek approval for the Full Business Case for the scope of work to be included in the Council Housing Improvement Programme 2017/18 to 2019/20 of £168.626 million and Other Programmes (including Adaptations) of £14.797 million within a total Public Sector Housing Capital budget of £358.969 million, including clearance and redevelopment costs.</p> <p>1.2 To inform Cabinet that this programme will deliver improvements to around 20,000 existing council properties and will include the provision of new kitchens and bathrooms, upgraded central heating systems, door, window, roof replacements and structural works to traditional/non-traditional construction type properties including electrical and thermal efficiency works, replacement double glazed PVCU windows, replacement heating system, roof replacement works and external/internal improvements, these works to be delivered through existing contracts for Housing Repairs, Gas Servicing, Capital Works and Major Adaptations.</p> <p>1.3 To inform Cabinet that a sum of £0.800 million per annum has been identified in Appendix 2 for continued environmental works in neighbourhoods. It is to be noted that a sum of monies be allocated based on housing stock in that locality and that officers within Housing Services consult with Local Elected Members and the Housing Liaison Board to prioritise investment projects. A process for agreeing the approval of these projects will be developed and approved by the Cabinet Committee Local Leadership.</p> <p>1.4 The proposals are subject to the approval of the Budget for 2017/18 by Council on 28 February 2017 and are consistent with the HRA Business Plan 2017+ and the proposed HRA Budget for 2017/18.</p>

2. Decision(s) recommended:

That Cabinet:

- 2.1 Approves the Full Business Case (**Appendix 1**) for the scope of works to be included in the Council Housing Improvement Programme 2017/18 to 2019/20 at an estimated capital cost of £168.626 million, together with Other Programmes (including Adaptations) at an estimated cost of £14.797 million over the same period.
- 2.2 Authorises the Service Director, Housing Transformation and Head of Capital Investment to allocate the Housing Investment works and place orders with the recently procured service providers in accordance with the scope of those contracts.
- 2.3 Notes the allocation of £175.546 million for clearance and new build activity included within the Public Sector Housing Capital budget of £358.969 million, 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.

Lead Contact Officer(s):**Telephone No:****E-mail address:**

Robert James – Service Director –Housing
0121 464 7699
Robert.james@birmingham.gov.uk

Martin Tolley – Head of Capital Investment
0121 303 3974
martin.tolley@birmingham.gov.uk

3. Consultation3.1 Internal

The proposals for the Housing Investment Programme for 2017/18 to 2019/20 are consistent with the budget report presented to Cabinet. The following members have been consulted and support the proposals going forward for Executive decision.

Councillor Ian Ward	Deputy Leader of Birmingham City Council
Councillor Victoria Quinn	Chair of Housing and Homes Overview & Scrutiny Committee

- 3.2 There will be continued local member influence through local Environmental Works Investment Projects.
- 3.3 Officers in Legal Services, City Finance and Corporate Procurement have been involved in the preparation of this report.

3.4 External

The City Housing Liaison Board has been consulted and endorse the programme as outlined in this report.

4 **Compliance Issues**

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

Improving the Council owned housing stock directly contributes to the strategic outcomes of the Sustainable Community Strategy, the proposed Council Business Plan and Budget 2017+. In particular there is a specific target under the theme of securing a high quality of life for residents. Stock improvements will also impact upon the other strategic outcomes, most notably on the aspiration for healthier communities and carbon reduction.

The Council will upgrade its stocks 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.

4.2 Birmingham Business Charter for Social Responsibility

Although the Public Services (Social Value) Act 2012 only applies to the procurement of services, or the provision of services together with the purchase or hire of goods or the carrying out of works, it is the Council's policy to ensure that social value is included as a requirement for works contracts. The additional economic, social and environmental benefits sought through this programme of works will be considered and secured through application of the Birmingham Business Charter for Social Responsibility. The existing contractors are certified signatories to the Birmingham Business Charter for Social Responsibility and will provide additional Social Value actions, including the provision of apprenticeships, that are relevant and proportionate to the nature and value of the contracts they are awarded. Any sub-contractors or new suppliers awarded contracts for works above £1m will also be required to sign up to the Charter and submit Action Plans prior to the award of contracts.

4.3 Financial Implications (Will decisions be carried out within existing finance and Resources?)

The total capital funding for these schemes is contained within the proposed Housing Public Sector Capital Budget 2017+ and summarised in Appendix 1. The programme will be funded in line with the anticipated resources set out in the Council's Business Plan and Budget 2017+, which is scheduled for consideration at the Council Meeting on 28 February 2017.

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 2017+.

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 and Strategic Director reports, as appropriate.

4.4 Legal Implications

The proposed allocation of work is consistent with the effective management of the Council's housing stock under Part II Housing Act 1985. The existing contracts for Responsive Repairs and Maintenance Services, Gas Servicing and Capital Improvement Work Programmes (including Major Adaptations to Council Housing Stock) in the North, South, West-Central and East areas of Birmingham. (Contract Ref F0239).

4.5 Public Sector Equality Duty

In making its decision Cabinet is required to have due regard to the public sector equality duty, the outcome of the screening is attached as **Appendix 4A**. 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 and improvements to the thermal comfort and the quality of life for the Council's tenants.

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.

5. **Relevant background/chronology of key events:**

The Council's Stock

- 5.1 The City Council currently owns and manages a portfolio of 62,616 residential properties (as at November 2016). This includes a high proportion of non- traditionally built homes and the average age of our properties is approaching 70 years
- 5.2 To safe-guard 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. This is achieved by holding detailed stock condition information within the asset management database (Apex). In an effort to ensure that the initial programme identified by Apex is targeted and appropriate, all properties proposed to be included will be pre surveyed. If the lifecycle of the component can be extended the property will not be included in the programme and will be re-inspected in future years. In essence, the housing stock will self-select for inclusion in the programme based upon the expired lifecycle rule. All programmes are shared across the Place and Economy Directorates to ensure the appropriateness of the investment.

HRA Business Plan Budget 2017+ and Asset Management Principles

5.3 The HRA Business Plan Budget 2017+ is included in the overall draft Council Business Plan and Budget which sets out the long term service and financial strategy. The key asset management principles are set out below:

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) and an estimated average of £50-55m will need to be spent annually on this programme. The outcome of this expenditure is detailed in **Appendix 2**. This fits with the theme of providing a healthy happy city.

- To deliver bespoke structural investment packages including, external wall insulation, roofing, windows, heating change and lighting to a number of tower blocks across the city.
- To provide an ongoing programme of adaptations to Council dwellings to promote independent living.
- Clearance of obsolete and unviable dwellings together with a new build programme to provide replacement affordable housing.

Under the HRA Self Financing regime, expenditure must be allied to these principles.

Delivery of the Investment Programme for 2017/18 to 2019/20

5.4 The Investment Programme will be delivered through the existing contracts for Responsive Repairs & Maintenance Services, Gas Servicing, Capital Improvement Work Programmes including Major Adaptations and Lifts to Council Housing Stock in the North, South, West-Central and East areas of Birmingham.

5.5 A yearly sum of £0.800 million 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 officers within Housing Services consult with local elected members and the Housing Liaison Board to prioritise investment projects. A process for agreeing the approval of these projects will be developed and approved by the Cabinet Committee Local Leadership.

Performance of 2016/17 Investment Programme

5.6 The 2016/17 investment programme budget allocation is estimated to be a 100% budget spend. Further details are set out in Appendix 1.

6. Evaluation of alternative option(s):

6.1 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.

6.2 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.

7. Reasons for Decision(s):

7.1 To progress the Council Housing Investment Programme 2017/18 to 2019/20 of £183.423 million within a total Public Sector Housing Capital budget of £358.969 million.

Signatures	<u>Date</u>
Cabinet Members	
..... Cllr Peter Griffiths Cabinet Member for Housing and Homes
..... Cllr Majid Mahmood Cabinet Member for Value for Money and Efficiency
Chief Officer	
..... Jacqui Kennedy, Acting Strategic Director of Place

List of Background Documents used to compile this Report:

Council's Business Plan and Budget 2017+.

List of Appendices accompanying this Report (if any):

1. Appendix 1 Full Business Case
2. Appendix 2 Public Sector Housing Capital Investment 2017/18 to 2019/20
3. Appendix 3 Risk Assessment
4. Appendix 4A Equality Assessment, 4B Public Sector Equality Duty Statement

Report Version		Dated	
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Full Business Case (FBC)			
1. General Information			
Directorate	Place	Portfolio/Committee	Housing and Homes
Project Title	Birmingham Council Housing Investment Plan 2017/18 to 2019/20	Project Code	Various
Project Description	<p>The investment set out in this report represents the detailed proposals for improvements in the condition of Council housing in 2017/18 to 2019/20 as a part of the ongoing programme of capital investment as outlined in the HRA Business Plan and Budget 2017+.</p> <p>The annual programme for 2017/18 to 2019/20 forms a part of a continued programme of investment in Council housing in Birmingham, which has been under way for many years and that is expected to continue for as long as the Council retains ownership of Council housing. The HRA Business Plan sets out an overall financial plan for ongoing housing investment over a 30-year period, showing the continuation of this programme throughout that period, with the investment fully funded throughout the Business Plan period.</p> <p>With 62,616 homes currently held within the HRA (as at 08 November 2016), many of which are over 70 years old, it is inevitable that there is an extremely high demand for capital works to the properties, to such an extent that it would not be possible to address all needs in any single year, either from an affordability or a delivery perspective. For each annual investment programme, it is therefore important that the properties to benefit from investment are prioritised to ensure maximum benefit across the City.</p> <p>The City's estates are prioritised according to investment need driven by expired lifecycle elements derived from detailed stock condition information held for each property. Investment is then directed to the appropriate areas within each District. Individual elements for renewal are identified from a combination of urgent need to ensure properties are at a lettable standard and overall investment need as identified from the stock condition data, taking account of any plans for regeneration of estates or other investment being undertaken.</p> <p>Financial and non-financial delivery of the overall investment programme is reported to the Housing Transformation Board (chaired by the Service Director of Housing Transformation) as an integral part of the established reporting process.</p> <p>As the annual programme is delivered, and resource availability changes (whether through identification of additional funding opportunities or changes in levels of generation of capital receipts etc.), changes to the approved programme and associated outputs will be reported through the existing capital budget reporting structure, including quarterly reports to Cabinet.</p> <p>As a part of this programme, it is anticipated that around 20,000 properties will receive improvements during 2017/18 to 2019/20. The key elements to be improved include kitchens, bathrooms, central heating systems, doors, windows, roofs and fire protection works as set out in the Benefits Quantification section below. Actual performance against these targets will be reported annually.</p> <p>For the 2016/17 programme, the following programmes show an indicative level completion. Key outputs as compared to the approved Full Business</p>		

	Case for 2016/17 are summarised in the following table.				
		FBC Target	Actual completions December 2016	Estimated Completions 31 March 2017	
	Kitchens	367	131	265	
	Bathrooms	273	90	265	
	Central Heating/Boilers	1,135	1,277	1,277	
	Windows	526	564	1,236	
	Doors	1,432	608	1,502	
	Roofs	321	351	490	
	Fire Protection	986	1,221	1,269	
	Soffits and Facia Replacement & External Painting (Estate Makeover)	37	75	92	
Links to Corporate and Service Outcomes	<p>Improving the Council owned housing stock directly contributes to the strategic outcomes of the Sustainable Community Strategy, the Council Business Plan and Budget 2017+. Stock improvements will also impact upon the other strategic outcomes, most notably on the aspiration for healthier communities. The report is also consistent with the policy priorities for Housing as set out in the Housing Business Plan and Budget Plan Budget 2017+.</p> <p>The replacement of existing older heating systems with new condensing boilers, installation of external insulation, cavity wall and loft insulation will contribute to targets within the Council's Climate Change Strategy to reduce carbon dioxide emissions and fuel poverty.</p>				
Project Definition Document Approved by	N/A	Date of Approval	N/A		
Benefits Quantification- Impact on Outcomes	Measure		Impact (units)		
	<p>The housing improvement programme is delivered to improve/replace as individual elements reach the end of their useful lives, and is focused on ensuring that our stock is fit for purpose and maintains its asset value for future years with investment targeted to further reflect tenant aspirations as to which aspects of property improvements are most valued.</p> <p>Key elements of properties to be renewed / improved are set out in the table below: (Please note the total number for kitchen and bathrooms does not include Major Works Voids)</p>				
	2017/18 Measures	North	South	East	Central west
Kitchens	197	195	165	133	690
Bathrooms	197	195	165	133	690
Central Heating/Boilers	185	390	280	280	1,135
Windows	185	316	254	90	845
Doors	183	462	326	180	1,151
Roofs	122	46	125	27	320
Fire Protection	55	563	116	252	986
Soffits and Facia Replacement & External Painting (Estate Makeover)	25	25	25	25	100

	2018/19 Measures	North	South	East	Central west	Total
	Kitchens	207	205	177	144	733
	Bathrooms	207	205	177	144	733
	Central Heating/Boilers	216	455	327	327	1,325
	Windows	184	315	253	89	841
	Doors	183	462	326	180	1,151
	Roofs	146	62	130	58	396
	Fire Protection	88	903	186	404	1,581
	Soffits and Facia Replacement & External Painting (Estate Makeover)	25	25	25	25	100
	2019/20 Measures	North	South	East	Central west	Total
	Kitchens	231	229	201	168	829
	Bathrooms	231	229	201	168	829
	Central Heating/Boilers	247	520	373	373	1,513
	Windows	181	312	250	86	829
	Doors	181	461	325	179	1,146
	Roofs	163	79	147	76	465
	Fire Protection	231	229	201	168	829
	Soffits and Facia Replacement & External Painting (Estate Makeover)	25	25	25	25	100
		<p>To deliver bespoke structural investment packages including, external wall insulation, roofing, windows, heating change and lighting to high-rise and low-rise properties across the city, this will benefit circa 1,612 properties over the 3 years.</p> <p>To deliver an electrical inspect and test programme to circa 7,600 properties and installation of 124 door entry systems plus 35 common rooms in sheltered housing schemes.</p>				
Project Deliverables	The investment set out in this report will ensure the continued replacement/improvement of expired elements ensuring a lettable standard with improvements focussed on those aspects most valued by our tenants and identified through our asset management software as being in need of renewal.					
Scope	Capital works to Council housing, including structural works, kitchen and bathroom renewals and modernisation of heating systems. Adaptations to Council housing to enable independent living.					
Scope exclusions	<ul style="list-style-type: none"> • Site Clearance & Acquisitions Activity • New Build • Revenue / Responsive Repairs • Complementary works to non-HRA assets • Procurement of contractors 					
Dependencies on other projects or activities	Capacity of repairs contractors to undertake work Planning permission – particularly for structural works Consultation with / agreement from key stakeholders including tenants, freeholders, Ward Members					

Achievability	<p>The detailed proposals covered by this report represent the continuation of an ongoing investment programme to maintain the physical condition of Birmingham's Council Housing.</p> <p>There is significant in-house expertise in managing and delivering a successful programme of this nature and size; although it should be noted that slippage/acceleration of certain elements of the programme can occur.</p> <p>The existing contractors have successfully tendered to deliver programmes of this size and it is therefore considered to be reasonable to expect that the programme as set out in this report can be delivered within the existing framework.</p> <p>There is a well-developed tenant engagement structure in place for delivering capital improvement programmes, as have been delivered for a number of years. It is anticipated that this will continue to be effective for 2017/18 to 2019/20 through ongoing consultation.</p>		
Project Manager	<p>Martin Tolley – Head of Capital Investment 0121 303 3974 Martin.tolley@birmingham.gov.uk</p>		
Budget Holder	<p>Martin Tolley – details as above</p>		
Sponsor	<p>Robert James – Service Director 0121 464 9819 robert.james@birmingham.gov.uk</p>		
Project Accountant	<p>Nick Ward – Finance Manager 0121 464 4282 Nick.ward@birmingham.gov.uk</p>		
Project Board Members	<p>As above, plus members of the Place Directorate Senior Management Team.</p>		
Head of City Finance (HoCF)	Guy Olivant	Date of HoCF Approval:	16.01.17

PUBLIC SECTOR HOUSING CAPITAL INVESTMENT 2017/20

	2017/18	2018/19	2019/20	Total 2017/18- 2019/20
	£000	£000	£000	£000
Council Housing Investment				
Central Heating	3,000	3,500	4,000	10,500
Windows	2,000	2,000	2,000	6,000
Soffits & Fascias / External Painting ,Estate Makeover	1,000	1,000	1,000	3,000
Front Doors Secure by Design	1,000	1,000	1,000	3,000
Electrical programmes	8,200	5,700	4,200	18,100
Structural Works – High-rise and Low-rise and Advanced design fees.	18,500	18,597	19,229	56,326
Kitchens	5,200	5,450	5,950	16,600
Bathrooms	5,200	5,450	5,950	16,600
Roofing	2,000	2,500	3,000	7,500
DDA and Door Entry	2,000	2,000	2,000	6,000
Communal Decorations	1,500	1,000	1,000	3,500
Fire Protection Chutes and Soil Stacks	2,500	4,000	3,500	10,000
Lift Refurbishments	1,500	1,500	1,500	4,500
Concierge / Caretaker Rooms	400	300	300	1,000
District Environmental Works	800	800	800	2,400
Legionella	500	500	500	1,500
Structural Investigations	700	700	700	2,100
Housing Improvement Programme	56,000	55,997	56,629	168,626
New Build Programme	65,489	39,735	36,312	141,536
Clearance and Acquisitions Programme	11,452	14,855	7,703	34,010
Redevelopment	76,941	54,590	44,015	175,546
Desktop Refresh	250	250	250	750
Internal Fees	482	492	501	1,475
Adaptations – Council Tenants	3,351	3,418	3,487	10,256
Garage Investment	772	772	772	2,316
Other programmes	4,855	4,932	5,010	14,797
Total Capital Expenditure	137,796	115,519	105,654	358,969
Revenue Contributions	(54,014)	(61,591)	(66,048)	(181,653)
Sales to InReach	(19,000)	(19,000)	(19,000)	(57,000)
RTB Receipts	(11,570)	(11,946)	(12,339)	(35,855)
BMHT Receipts	(12,356)	(11,010)	(6,026)	(29,392)
Slippage from 2016/17	(16,484)	-	-	(16,484)
Other Resources	(24,372)	(11,972)	(2,241)	(38,585)
Total Capital Financing	(137,796)	(115,519)	(105,654)	(358,969)
Net (Surplus) / Deficit	0	0	0	0

Note:

The revenue implications of the proposed programme are accounted for in the HRA Business Plan and Budget 2017+ as part of the HRA dwellings repair costs which will be delivered on a fixed price per property basis through the existing contractual arrangements.

Risk register key

IMPACT	PROBABILITY	SCORE
1 – Insignificant	1 – Unlikely	1-4
2 – Minor	2 – Possible	5-8
3 – Moderate	3 – Likely	9-12
4 – Major	4 – Almost Certain	13-16

Description of Risk	Responsibility owner	Impact	Probability	Score	Mitigation Measures	impact	Probability	Score
Contractor Capacity	Senior Service Manager	4	2	8	Early discussion with contractors about programme of works.	2	2	4
Planning Approval Delays	Contract Team Manager	4	1	4	Early engagement with Planners. This only applies to structural works.	2	1	2
Delays Due to Site Conditions	Contractors	4	2	8	Outdoor work is planned during summer periods to avoid snow, heavy rain and inclement weather	2	1	2

Costs of Programme Delivery exceed available Resources	Senior Service Manager	3	3	9	Existing contracts include fixed prices for most elements of the planned investment programme. Programme performance will be monitored through the year and works accelerated or slipped to future years to fit resource availability.	3	1	3
Programme of Works not Delivered Within Timescale	Senior Service Manager	4	2	8	Monthly contractor performance meeting and financial reviews. Service Improvement notice and performance Related Payment processes within the contract.	2	1	2
No Access to Properties/Refusals of Work	Contract Team Manager	3	4	12	Extensive consultation with tenants and robust procedures in place to deal with legal requirements (e.g. gas / electrical testing)	3	2	6
Possible Disrepair Litigation	Contract Team Manager	4	4	16	Specific programmes to prevent successful challenge (reducing court & legal costs to allow focus of investment on improvements to properties) – key elements include soil stacks, heating & windows replacement programmes.	4	1	4

Customer satisfaction/expectations undeliverable	Contract Team Manager	4	4	16	Successful delivery of programme in previous years has been reflected in consistently high levels of customer satisfaction. In forthcoming years a new programme of customer involvement for those that have had Capital Investment Works will be centred on reality checks, Customer Service User Panels and collation of Partners' satisfaction data.	4	1	4
Unforeseen additional works arise in course of undertaking improvements	Contract Team Manager	3	3	9	Re-profile delivery programme as required. Also capacity is built within the programme running order and all foreseen risks are checked at programme issue.	2	2	4