

Report to: **CABINET**
Report of: **Corporate Director Place**
Date of Decision: **27 March 2018**
SUBJECT: **BIRMINGHAM COUNCIL HOUSING INVESTMENT PROGRAMME 2017/18 to 2019/20**
Key Decision: **Yes** **Relevant Forward Plan Ref:** **004665/2018**
If not in the Forward Plan: **Chief Executive approved**
(please "X" box) **O&S Chairman approved**
Relevant Cabinet Member(s): **Councillor Peter Griffiths – Cabinet Member for Housing and Homes**
Councillor Majid Mahmood – Cabinet Member for Commercialism, Commissioning and Contract Management
Relevant O&S Chair **Councillor Victoria Quinn – Housing and Homes**
Councillor Mohammed Aikhlaq– Corporate Resources and Governance
Wards affected: **All**

1. Purpose of report:

- 1.1 In February 2017, Cabinet approved the three year Capital Investment Programme for 2017/18 to 2019/20. Included in this report is an update on the successful achievements of the 2017/18 Capital Investment Programme. Due to the requirement to retrofit fire suppression systems (sprinklers) it is necessary to now seek approval for these works to be included in the existing full business case for the scope of work to be included in the Council Housing Investment Programme 2018/19 to 2019/20 of £129.890 million and adaptations of £6.905 million within a total Public Sector Housing Capital budget of £242.708 million, including clearance and redevelopment costs.
- 1.2 To inform Cabinet that this programme will deliver improvements to around 19,121 property elements 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 and the installation of fire suppression system (sprinklers) to high rise dwellings. These works to be delivered through existing contracts.
- 1.3 To inform Cabinet that a sum of £0.800 million per annum has been identified in Appendix 2 for capital environmental works 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..
- 1.4 The proposals are consistent with the Budget for 2018/19 approved by Council on 27th February 2018.

2. Decision(s) recommended:

That Cabinet:

- 2.1 Notes the update against 2017/18 programme delivery.
- 2.2 Approves the Full Business Case **Appendix 1** for the scope of works to be included in the Council Housing Improvement Programme 2018/19 to 2019/20 including fire suppression systems at an estimated capital cost of £129.890 million, together with adaptations at an estimated cost of £6.905 million over the same period.
- 2.3 Authorises the Service Director, Housing 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.
- 2.4 Notes the allocation of £105.913 million for clearance and new build activity included within the Public Sector Housing Capital budget of £242.708 million, with specific scheme details to be the subject of further reports as appropriate sites are identified
- 2.5 Authorises the City Solicitor to negotiate, execute, seal and complete all necessary documents to give effect to the above recommendations.

Lead Contact Officer(s):

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3. Consultation

3.1 Internal

The proposals for the Housing Investment Programme for 2018/19 to 2019/20 are consistent with the budget report presented to Cabinet. The following members have been consulted previously and supported the proposals going forward for Executive decision.

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

- 3.2 We will continue to work with local residents, housing management teams and elected members in relation to Environmental Works Investment Projects.
- 3.3 Officers in Legal Services and City Finance have been involved in the preparation of this report.
- 3.4 External

The City Housing Liaison Board has been consulted about the programme as outlined in this report. TMOs and Leaseholders will be consulted prior to works being undertaken in accordance with the terms of MMAs / leases respectively.

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 2018+. 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 Financial Implications (Will decisions be carried out within existing finance and Resources?)

The total capital funding for these schemes is contained within the Housing Public Sector Capital Budget 2018+ 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 2018+, as approved at the Council Meeting on 27th February 2018.

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 2018+.

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 Corporate Director, as appropriate.

The investment programme includes £19m of planned expenditure relating to the retrofit of fire suppression systems (sprinklers) as a part of an overall 3 year programme anticipated to cost £31m, in relation to which Central Government have been approached for a contribution of £19.4m towards these costs. In the event that this funding is not forthcoming, the costs will be funded through prudential borrowing.

It is anticipated that the 2017/18 expenditure will exceed the approved budget of £63.619m by up to £7.220m. This will be funded from a combination of slippage in other aspects of the Public Sector Housing capital programme and additional resources available for Housing Capital Investment in 2017/18 such as increase Right to Buy Receipts, with full details to be confirmed as a part of the annual closedown of account process.

4.3 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.

4.4 Public Sector Equality Duty

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. **Appendix 4A/4B**

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.

4.5 Public Services (Social Value) Act 2012

The Public Services (Social Value) Act has been considered. The existing service providers have signed up to the Birmingham Business Charter for Social Responsibility and have all provided action plans. Any sub-contractors/new suppliers will be required to comply with the Birmingham Business Charter for Social Responsibility. The existing suppliers will be developing apprentices as part of their Social Value Commitment.

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

The Council's Stock

- 5.1 The City Council currently owns and manages a portfolio of over 62,000 residential properties. 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 2018+ and Asset Management Principles

- 5.3 The HRA Business Plan Budget 2018+ 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:

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**. This fits with the theme of providing a healthy happy city.

- To deliver bespoke structural investment packages including, external wall insulation, roofing, windows, heating, lighting and the installation of fire suppression systems (sprinklers) to 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.

Delivery of the Investment Programme for 2018/19 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 local elected Members will be consulted and involved in the decisions.

Performance of 2017/18 Investment Programme

- 5.6 The 2017/18 investment programme budget allocation is projected to achieve 110% 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 2018/19 to 2019/20 of £129.890 million within a total Public Sector Housing Capital budget of £242.708 million.

Signatures

Date

Cabinet Members

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Cllr Peter Griffiths
Cabinet Member for Housing and Homes

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Cllr Majid Mahmood
Cabinet Member for Commercialism, Commissioning
and Contract Management

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Chief Officer

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Jacqui Kennedy, Corporate Director
of Place

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List of Background Documents used to compile this Report:

Council's Business Plan and Budget 2018+.

List of Appendices accompanying this Report (if any):

- 1. Appendix 1 Full Business Case
- 2. Appendix 2 Public Sector Housing Capital Investment 2018/19 to 2019/20
- 3. Appendix 3 Risk Assessment
- 4. Appendix 4A Public Sector Equality Duty Statement and 4B Equality Assessment

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 2018/19 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 2018/19 to 2019/20 as a part of the ongoing programme of capital investment as outlined in the HRA Business Plan and Budget 2018+.</p> <p>The annual programme for 2018/19 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 62,171 homes currently held within the HRA (as at January 2018), 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 19,121 property elements will be improved during 2018/19 to 2019/20. The key elements to be improved include kitchens, bathrooms, central heating systems, doors, windows, roofs, fire suppression systems and fire protection works as set out in the Benefits Quantification section below. Actual performance against these targets will be reported annually.</p> <p>The installation of fire suppression systems (sprinklers) and fire protection works are being taken to ensure the safety of tenants in the council's managed high rise accommodation are in line with the Council's vision of</p>		

“Birmingham – a city of growth where every child, citizen, and place matters” and support the key priority of “Housing – a great place to live”.

For the 2018/19 programme, the following programmes show an indicative level of completion. Key outputs as compared to the approved Full Business Case for 2017/18 are summarised in the following table.

	FBC Target	Actual completions December 2017	Estimated Completions 31 March 2018
Kitchens	690	885	1556
Bathrooms	690	558	1028
Central Heating/Boilers	1,135	1217	3357
Windows	845	600	1209
Doors	1,151	1039	1071
Roofs	320	423	492
Fire Protection	986	550	425
Soffits and Facia Replacement & External Painting (Estate Makeover)	100	71	100

Links to Corporate and Service Outcomes

Improving the Council owned housing stock directly contributes to the strategic outcomes of the Sustainable Community Strategy, the Council Business Plan and Budget 2018+. 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 2018+. 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.

Project Definition Document Approved by

N/A	Date of Approval	N/A
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Benefits Quantification- Impact on Outcomes

Measure	Impact (units)
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.	
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)	

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
Fire Suppression Systems (sprinklers)	201	884	227	1413	2725

	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
	Fire Suppression Systems (sprinklers)	391	1217	293	2507	4408
Soffits and Facia Replacement & External Painting (Estate Makeover)	25	25	25	25	100	
	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 as well as the installation of fire suppression systems (sprinklers) to high rise dwellings.					
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. Installation of fire suppression systems (sprinklers). 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 2018/19 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:	16/3/18

	2018/19 £'000	2019/20 £'000	Total 2018/19- 2019/20 £'000
Council Housing Investment			
Central Heating	3,500	4,000	7,500
Windows	2,000	2,000	4,000
Soffits & Fascias / External Painting ,Estate Makeover	1,000	1,000	2,000
Front Doors Secure by Design	1,000	1,000	2,000
Electrical programmes	5,700	4,200	9,900
Structural Works – High-rise and Low-rise and Advanced design fees.	22,330	10,006	32,236
Kitchens	5,450	5,950	11,400
Bathrooms	5,450	5,950	11,400
Roofing	2,500	3,000	5,500
DDA and Door Entry	2,000	2,000	4,000
Communal Decorations	1,000	1,000	2,000
Fire Protection Chutes and Soil Stacks	4,000	3,500	7,500
Lift Refurbishments	1,500	1,500	3,000
Concierge / Caretaker Rooms	300	300	600
Structural Investigations	700	700	1,400
District Environmental Works	800	800	1,600
Contingency Fund	1,000	1,000	2,000
Fire Suppression Systems (Sprinklers)	7,000	12,000	19,000
Desktop Refresh	250	250	500
Internal Fees	350	360	710
Garage Investment	772	772	1544
Housing Investment Programme	68,602	61,288	129,890
New Build Programme	49,217	34,440	83,657
Clearance and Acquisitions Programme	9,733	12,523	22,256
Redevelopment	58,950	46,963	105,913
Adaptations – Council Tenants	3,418	3,487	6,905
Adaptations	3,418	3,487	6,905
Total Expenditure	130,970	111,738	242,708
Funding of Capital Programme			
Revenue Contributions	(35,605)	(39,530)	(75,135)
Receipts and Grants	(49,439)	(36,680)	(86,119)
Sales to InReach	(38,500)	(22,000)	(60,500)
New Borrowing	(1,018)	(12,842)	(13,860)
Slippage from 2017/18	(6,408)	(686)	(7,094)
Total Funding	(130,970)	(111,738)	(242,708)

Note:

The revenue implications of the proposed programme are accounted for in the HRA Business Plan and Budget 2018+ 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

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

1	<p>The Council must, in the exercise of its functions, have due regard to the need to:</p> <ul style="list-style-type: none"> (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
2	<p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none"> (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
3	<p>The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.</p>
4	<p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none"> (a) tackle prejudice, and (b) promote understanding.
5	<p>The relevant protected characteristics are:</p> <ul style="list-style-type: none"> (a) Marriage & civil partnership (b) Age (c) Disability (d) Gender reassignment (e) Pregnancy and maternity (f) Race (g) Religion or belief (h) Sex (i) Sexual orientation