

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	HOUSING REVENUE ACCOUNT (HRA) - VARIOUS SCHEME APPROVAL, CAPITAL PROGRAMME 2012/13 PHASE 2
DATE OF DECISION:	21 AUGUST 2012 12 SEPTEMBER 2012
REPORT OF:	CABINET MEMBER FOR HOUSING AND LEISURE
STATEMENT OF CONFIDENTIALITY	
Not applicable.	

BRIEF SUMMARY

This report seeks formal approval in accordance with Financial Procedure Rules for expenditure on various housing projects. These projects will contribute to the Council's strategic housing objectives through improving the facilities of our estates, the wellbeing and the satisfaction of our residents in areas where they live.

The proposals are consistent with the HRA Business Plan approved by Council in July 2011 and the new Capital Programme under the HRA self-financing regime as agreed at Council in November 2011 and February 2012. Due to the nature of the works and the external funding that may be available, it is crucial that scheme approval is obtained to allow for tendering and procurement to commence to maximise external funding available.

The proposed works cover elements under the following two headings of:

- Warm and Energy Efficient.
- Well Maintained Communal Facilities

RECOMMENDATIONS:

Cabinet

- (i) To recommend that Council approve, in accordance with Finance Procedure Rules, the addition of £1,250,000 to the HRA Capital Programme for the installation of photo voltaic systems, funded by unused Direct Revenue Financing (DRF).
- (ii) Subject to Council approval of recommendation (i), to approve, in accordance with Financial Procedure Rules, expenditure of £1,250,000 in 2012/13 on the installation of photo voltaic systems.
- (iii) To approve, in accordance with Financial Procedure Rules, capital expenditure of £612,000 in 2012/13 on the external cladding of PRC houses, provision for this already exists in the unapproved section of the HRA Capital Programme.
- (iv) To approve, in accordance with Financial Procedure Rules, the virement of £600,000 from the Electrical Riser Programme to the Itchen View Estate Lift Programme.

- (v) To approve, in accordance with Financial Procedure Rules, additional expenditure of £600,000 in 2012/13 on the Itchen View Estate Lift Refurbishment Programme.

Council

- (i) To approve, in accordance with Finance Procedure Rules, the addition of £1,250,000 to the HRA Capital Programme for the installation of photo voltaic systems, funded by unused Direct Revenue Financing (DRF).

REASONS FOR REPORT RECOMMENDATIONS

1. Financial Procedure Rules state that all schemes already in the capital programme up to the value of £125,000 require approval by the relevant Chief Officer following consultation with the relevant Cabinet Member and Chief Finance Officer. Schemes over £125,000 but less than £250,000 will require approval by the Cabinet Member. Schemes between £250,000 and £2 million will require Cabinet approval and those over £2 million will require Council approval. Where a new scheme is being added to the programme and there is a material change to the revenue implications, for example where Direct Revenue Financing is being used, this requires Council approval.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 2.. There have been various consultation meetings with tenant groups and leaseholders during the last nine months with regard to the proposed programme of capital expenditure associated with the Housing Revenue Account (HRA) and the new self-financing regime.
3. These works form part of the recently approved 4 year plan (formally approved in November 2011).
4. The alternative option of not undertaking the works identified would leave the Council's homes and surrounding areas in their present condition and would not accord with the view expressed during the consultation process or with the Council's policies of providing homes that comply with the four new headings:
- Safe, Wind and Weather Tight
 - Warm and Energy Efficient
 - Modern Facilities
 - Well Maintained Communal Facilities

DETAIL (Including consultation carried out)

5. This report seeks permission to proceed with the development, procurement and implementation of capital projects which form part of the HRA Capital Programme for 2012/13. This report deals with a new scheme that requires an addition to the Capital Programme approved by Council in February 2012, one that is currently ready for approval and one that requires a change to an existing approved project. Details are shown in Table 1 below.

Table 1

	Recommendation	2012/13 000s
Warm and Energy Efficient		
Installation of Photo Voltaic Systems	Council - Addition to programme Cabinet - Scheme approval	1,250
External Cladding (PRC houses)	Cabinet - Scheme approval of existing item	612
Total Warm and Energy Efficient		<u>1,862</u>
Well Maintained Communal Facilities		
Lift Refurbishment and Replacement	Cabinet - Virement Cabinet - Scheme approval	600
Total Well Maintained Communal Facilities		<u>600</u>
Total		<u>2,462</u>

- 6.. The programme outlined in this report is consistent with the Housing Strategy and HRA Business Plan 2011-2041 approved by Cabinet and Council in July 2011.
- 7.. A key role in the development of the Capital Programme has been the involvement of the Tenant Resource Group, Block Wardens, Tenant representatives, leaseholders and staff. Tenants and Leaseholders have also been closely involved in the production of our long term business plan for future investment.
- 8.. Under self-financing our stock condition database is crucial to planning the works needed to our stock. Under our approach to developing a business plan we have identified through the stock database the properties where work is required over the next four years and we are now in a position to strategically plan the investment needed to complete the work identified.
- 9.. Therefore the budgets identified and seeking approval are determined by the detail from our stock database to which we have then applied an accepted industry calculation for estimated value which is based on known costs and Building Research Establishment (BRE) national averages at this time.
- 10.. Any additional information received on the stock condition from the detailed monitoring of Health and Safety compliance issues will also be reflected in the strategic planning of the programmes and the detail of the capital projects.
- 11.. The detail in the following tables is therefore provided based on the detailed property assessments undertaken and is presented in unit quantities with a more detailed description of the work to be undertaken in the paragraphs below.

Warm and Energy Efficient

Table 2

	2012/13
	Quantity
Warm and Energy Efficient	
Installation of Photo Voltaic Systems	8 tower blocks 8 medium rise blocks
External cladding (PRC houses)	250 houses

Installation of Photo Voltaic Systems

12. The Housing Investment Team has identified possible savings to the Council by utilising the installation of PV systems across the Council. These will supply/provide electricity to the landlord electrical systems within 8 tower blocks and 8 medium rise blocks across the city.
13. These will include 5 blocks at International Way, Meredith, Dumbletons and Hightown Towers at Thornhill, 3 medium rise blocks at Summit Way, Midanbury and a further 5 medium rise blocks currently being surveyed by the Structural Team to ensure suitability.
14. To allow the Council to benefit from the maximum tariff, works to the tower blocks at International Way and Thornhill were commissioned within the existing Community Energy Savings Programme (CESP) project (specified in the original contract and noted in the Scheme Approval dated 24 October 2011). However, as costs were not fully known at the time it was agreed that separate approval would be submitted at a later date.

This project is a completely new programme of works and is not part of the HRA 30 Year Business Plan approved by Council in February 2012. The works have been identified as energy saving and as such it is appropriate to place them in the agreed heading of Warm and Energy Efficient.
15. The systems installed have a life expectancy of 25 years and calculations indicate that any cost associated with the systems will be recouped within 10-12 years therefore enabling the Council to benefit from 13-15 years of savings.

External Cladding (PRC Houses)

16. There are currently approximately 250 houses in the CESP areas across the city that are of a non-traditional build and have no cavity. Therefore an alternative method of insulation is required. The Housing Investment Team is currently working with several providers to gain external grant funding for this work but there will be a potential cost to the Council. The figure requested has been identified as the maximum required at this time. Should additional grant funding be made available then other properties outside of the CESP areas will be added to the programme of works.

17. The CESP funding is only scheduled to be available until December 2012 and so it is crucial that works are undertaken during the next six months if the Council is able to benefit from the funding available. Properties will be prioritised within the existing CESP boundaries but if grant funding is available then the works will be extended to similar properties within a suitable geographic area of the city to benefit from economies of contract management.

Well Maintained Communal Facilities

Table 3

	2012/13
	Quantity
<u>Well Maintained Communal Facilities</u>	
Lift refurbishment and Replacement	6

Lift Refurbishment and Replacement

18. A previous Scheme Approval document dated 16 March 2009 had identified the requirement to replace 6 lifts and £1,030,000 was secured at that time. Due to procurement issues the tendering process had to be reviewed and carried out again resulting in an increase in cost. There is now a shortfall of £600,000 on the proposed scheme.
19. Once aware of the shortfall, the Housing Investment Team actively investigated all other approved projects to ascertain whether there were any possible savings and these could be used to offset the additional cost. The Electrical Riser programme approved in March 2012 was identified as such a project and following lengthy discussions between the Housing Investment Team and Scottish and Southern a guaranteed reduction in cost of £600K for the same works has been agreed. This report therefore seeks approval for the transfer of this saving to the lift project.

RESOURCE IMPLICATIONS

Capital/Revenue

20. The most recent version of the 30 year HRA Business Plan, as used to inform the HRA Budget approved by Council on the 15th February 2012, contains provision for the cladding of PRC houses and for electrical riser upgrades. It is proposed to vire £600k from the electrical riser programme (due to the reduction in cost agreed with Scottish and Southern) to fund the additional cost of lift refurbishment at the Itchen View Estate. In addition, the capital outturn reported to Council on the 11th July 2012 indicated that there was a balance of unused Direct Revenue Financing of over £2.7M, part of which could be used to fund the installation of photo voltaic systems at a cost of £1.25M.

21. A number of the items seeking scheme approval are forecast to deliver revenue savings. These savings will need to be reflected in future revenue Budgets.

The potential energy saving from the PV installations is not currently fully known and will not be confirmed until the first invoices from the utility supplier are received and analysed. However all the industry standard calculations demonstrate that it is expected that the landlord electricity usage (Communal Lighting, Lifts, power socket outlets and Emergency lighting) shall reduce by 40% per Annum.

As mentioned above the proposed PV installation will be connected directly to the Landlord electrical systems only, there will be no direct connection to any tenanted properties.

Property/Other

22. The HRA Capital Programme is fully reflected in the Corporate Property Strategy.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

23. There are no specific legal implications in connection with this report. The power to carry out the proposals is contained within Part 2 of the Housing Act 1985.

Other Legal Implications:

24. None

POLICY FRAMEWORK IMPLICATIONS

26. The proposed schemes in this report contribute positively to the Council’s objectives set out in the Housing Strategy and HRA Business Plan to maintain and improve the condition of the city’s housing stock.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All wards
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	None
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Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at: To follow

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	N/A	
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