

Capital and Revenue Investment Plan (CRIP) – 2017/18

Investment Review – Phase One Impact Summary on HRA Business Plan YR 1-10

In response to central government changes putting significant financial pressure on the HRA, we are undertaking a review our investment priorities. The first phase of this review has concluded.

Services / budgets were identified as a priority for review and the Asset Management Team worked with the delivery teams to understand the reasons for delivering the service, the duties and limitations (e.g. contractual) and to challenge whether the service could be delivered differently.

Some services have been reviewed thoroughly and we are confident in the short and long term forecasts. However, some services have received a preliminary review, with identified next stages for further work. Responsive Repairs (RR) and Relets in particular will be the subject of ongoing review to continuously improve efficiencies and identify savings as more reliable data emerges through the use of Civica CX. A summary of the impact the review to date has made is shown in the table below:

Capital / Revenue	Previous BP Cost 1-10 YR	Revised BP Cost 1-10 YR	1-10 YR Variance
Capital	£533m	£469m	-£64m
Revenue	£429m	£358m	-£71m
Total	£962m	£827m	-£135m

17/18 CRIP budget proposals

Budget setting for 2017/18 has been semi transitional, with many budgets agreed based on decisions reached through the Investment Plan review. Budgets not yet reviewed have been determined through discussions with the relevant budget managers or rolled over from previous years.

Some budgets are still restricted by contractual arrangements, procurement issues or require further feasibility work, which reduces our ability to fully implement decisions reached at this stage.

Where possible, we have sought to restrict non-essential expenditure and implement immediate savings that can be reflected in 2017/18.

Capital / Revenue	16/17 Original Budget (Current ABW Budget)	2016 / 2017 (Approved Budget Q1)	2016 / 2017 (Approved Budget Q1 minus agreed savings)	2017 / 2018 (Budget Request)	Variance (17/18 Request v Q1 Budget with savings)
Capital	£55,560,089	£64,459,962	£58,681,962	£42,075,644	-£16,606,318
Revenue	£38,450,129	£37,548,493	£37,303,493	£31,741,827	-£5,561,666
Total	£94,010,218	£102,008,455	£95,985,455	£73,817,471	-£22,167,984

Procurement Summary – 2017/18

The table below provides a summary of the required procurement activity during the year:

Budget / Service	Duration	Estimated Cost	Notes
Cladding & Major Works	Various (Normally 1-2 years in duration)	Various (all estimated to be over £500k)	* Five separate priority projects agreed. * Exact works required to be established over the coming months. * Some projects already have Cabinet approval as part of the block cladding programme.
Windows	Four Years (3+1 Optional)	£2.5m	* To cover window installation / replacement in low rise stock. * Existing framework due to expire in August 2017.
Lift Maintenance	Four Years (3+1 Optional)	£2m	* To cover maintenance & servicing of lifts
Heat Management	Four Years (3+1 Optional)	£2m	* To cover maintenance & servicing of communal boilers and heating systems to blocks

2017/18 CRIP - Breakdown by Investment Category

Investment Categories	16/17 Original Budget (Current ABW Budget)	2016 / 2017 (Approved Budget Q1)	2016 / 2017 (Approved Budget Q1 minus agreed savings)	2017 / 2018 (Budget Request)	Variance (17/18 Request v Q1 Budget with savings)
Decent Homes / Bristol Homes Standard	£16,396,000	£17,770,580	£17,300,580	£20,875,202	£3,574,622
Affordable Warmth	£26,104,059	£29,266,312	£26,068,312	£11,147,310	-£14,921,002
New Build / Meeting Housing Need	£10,850,000	£13,205,000	£12,905,000	£8,075,000	-£4,830,000
Response Repairs & Relets	£26,148,642	£26,148,642	£26,148,642	£20,961,997	-£5,186,645
Health & Safety	£4,656,580	£5,058,311	£4,908,311	£4,008,120	-£900,191
Communal Services	£3,198,740	£3,444,673	£2,234,673	£2,584,673	£350,000
Disabled Adaptations	£2,692,000	£2,692,000	£2,692,000	£1,854,028	-£837,972
Other	£2,425,250	£2,425,250	£1,775,250	£1,799,450	£24,200
Staffing Costs & Charges	£1,538,947	£1,997,687	£1,952,687	£2,511,691	£559,004
Total	£94,010,218	£102,008,455	£95,985,455	£73,817,471	-£22,167,984

Capital

17/18 Total: £42.1m

Reduction: £16.6m

The proposed expenditure on capital projects represents a very significant reduction on current and previous years. The council's housing stock is ageing and our homes, particularly our blocks of flats, are showing signs of structural failings. The proposal is to defer decisions on some major capital improvement projects whilst we improve our overall asset intelligence, focusing on blocks, by dedicating internal resources to further and more in depth condition surveys and structural assessments. We will also be seeking approval to recruit to a dedicated Structural Engineer within the Asset Management Team to ensure we are proactive in identifying structural failings. The capital savings identified early on in the Business Plan will allow a contingency to deal with these issues, ensuring homes are sustainable into the long term.

Blocks

A lack of intelligence on the condition of major elements and on problems with the fabric of our blocks means that robust investment forecasting is difficult at this stage. However, we are moving towards a new agreed approach of proactively gathering block data centrally which should see a more strategic approach to identifying priorities and ensuring urgent issues are dealt with. This should impact RR and reduce revenue expenditure on blocks.

Cladding, cyclical maintenance and major works *17/18 Budget: £8.62m* *Reduction: £2.02m*

Many of the existing cladding projects are coming to an end, with minimal expenditure required for 17/18. We have an agreed plan of priorities for the next two years, and the new projects agreed at Spencer & Norton Houses, Dove Street blocks, Gaywood House, Ropewalk House and Downfield House are focusing on repairing structural issues and general maintenance, rather than insulating the buildings.

The package of major works to these blocks will each exceed £500,000, and we will be including a request to approve the procurement of the contracts within the HRA Budget Cabinet report. We do have Cabinet approval for undertaking major works and overcladding to our uninsulated blocks. Due to the pressures on the BP, and a fresh approach to appraising all options to improve blocks, the result is likely to be less major cladding projects. We will instead be looking to undertake major repairs, deal with water ingress and damp issues to improve the life of our tenants.

Beyond the next two years, allowance is made within the Business Plan for full scaffolding, cradles, structural works and external painting & repairs. Separate funds are allocated for new Cladding, Re-cladding and Major Works to blocks, along with a contingency fund for future major projects. The performance of and issues with previous cladding schemes will be looked at within the next phase of the review. We have reasonable confidence that the longer term annual figures are sufficient, but these will need reviewing as more block information emerges.

Low rise cladding project – Easiforms *17/18 Budget: £600k* *Reduction: £10.6m*

Phase 1 is due to slip into 17/18 but only requires minimal expenditure of £600k. The proposals in the BP assume that we will not be cladding the remaining Easiform homes in the Warmer Homes programme. Surveys of a sample of these properties are currently underway, and the results may alter this assumption. Even if we did decide to proceed with Phase 2 onwards, there would be no further expenditure required until 18/19.

Loft and Cavity Wall Insulation *17/18 Budget: £150k* *Reduction: £150k*

Despite huge efforts over the last ten years, we still have a small number of homes with uninsulated lofts and unfilled cavity walls. In many cases, this has been due to tenants refusing the works.

Windows and Roofs *17/18 Budget: £3.32m* *Reduction: £237k*

We now have greater confidence in the forecast costs and volumes, although this has revealed that insufficient funds have previously been allowed for in the BP and so the proposals indicate increased costs. The existing uPVC Window framework expires in August 2017, and we will be seeking Cabinet approval to procure a new contract within the HRA Budget Cabinet report. The total anticipated sum is likely to be approximately £2.5m over a four year period

Bathrooms*17/18 Budget: £1.95m**Increase: £1.49m*

We have reviewed the proposal in Bristol Homes Standard aspiring to a proactive bathroom replacement programme. The proposal is that this is now not pursued. However, replacements will continue through RR and relets and the forecast expenditure will be capitalised, offsetting the majority of the savings in the BP for a new planned bathroom programme. However, this is shown as a forecast saving on the revenue budget.

Cabinet approval was gained for the new bathroom programme, we will not be pursuing this programme at this time.

Kitchens and Rewires*17/18 Budget: £8.41m**Increase: £1.67m*

Lifecycles have been increased for both kitchens and rewire. Additionally, in a similar way to bathrooms, the expenditure on new kitchens and rewire undertaken through RR and Relets will be capitalised.

Heating Individual systems*17/18 Budget: £3.16m**Reduction: £1.95m*

The emphasis of the proposal is on addressing poor heating types, for individual homes, this means replacing will gas central heating where possible, and replacing existing old gas systems only when they are beyond economic repair. The decision to move away from proactive replacement, extension of the lifecycles and focus on replacing the poorest systems has reduced the budget requirement by £1.95m

Communal heating*17/18 Budget: £270k**Reduction: £82k*

The proposal is to undertake infrastructure improvements in our communal heating systems, and an annual allowance has been made to improve poor heating in flats where individual gas boilers are not feasible. As no new communal heating systems are planned for 17/18, this allowance is not included.

Adaptations*17/18 Budget: £1.85m**Reduction: £838k*

Through the application of some of the principles in the Making Best Use of Stock (MBUS) policy – notably the consideration of rehousing in cases requiring major adaptations, and a move away from adapting family homes in favour of level access properties – we are proposing significant annual savings. The impact of our new approach on the tenants, other parts of the council and on the budget will need to be closely monitored.

New Build*17/18 Budget: £8m**Reduction: £4.8m*

Current programme requires only £8m for 17/18. Future new build expenditure will be considered as part of the development of the Corporate Housing Delivery team.

Revenue*17/18 Total: £31.7m**Reduction: £5.6m*

Much of the reductions in revenue costs have been achieved by correctly identifying and recording capital works (especially at relet) and further work is required to identify revenue savings.

Fire Safety Works*17/18 Budget: £2.04m**Reduction: £795k*

The programme to undertake fire safety improvements in our blocks will continue as planned, although the programme has been stretched from six years to 10 years. The reduction for 17/18 would have been greater, but includes slippage following procurement issues.

External Works*17/18 Budget: £4.03m**Increase: £540k*

(3 storeys and below) – The maintenance cycle has shifted from seven to ten years, meaning that fewer properties are visited each year. However, the average unit cost has increased to £1,575 and some low rise blocks with balconies / asbestos issues have increased the overall budget requirements. The impact of this shift on RR and Relet budgets will need to be monitored, although an allowance has been made in both budgets for 17/18.

Responsive Repairs*17/18 Budget: £10.71m**Reduction: £193k*

Increases were applied due to rises in the cost of materials and external contractors, along with extra funds allocated in response to decisions made during the Investment Plan Review in relation to anticipated rises in gas boiler breakdowns and a reduced cyclical programme. These were offset by savings of £400k that are linked to the implementation of a new external contract. Responsive Repairs expenditure will be reviewed during Phase Two of the Investment Plan Review.

Relets*17/18 Budget: £8.83m**Reduction: £4.79m*

For 16/17, cost cutting measures such as less decoration, providing less carpet, reduced electrical works and increasing both the volume and type of work delivered by BCC operatives has seen spend significantly decrease over the last three months. Improved monitoring and financial analysis have also enabled better performance management of contractors, and changes to the way we allocate some works have resulted in more competitive prices being received. We have spent an average of £480k less per month over the second quarter when compared to the first. The interim changes made to the relet standard have not only resulted in reduced costs, but a shorter void turnaround which also increases rental income.

These savings, plus an expected reduction of £350k linked to the new response contract have reduced the 17/18 budget by £1.26m. This has been offset in part, from £523k of additional cost relating to price rises, void security management and a reduced cyclical programme. More work is needed on the Relet standard and expenditure, and will take place as part of the next Phase of the Investment Plan Review.

Lift maintenance*17/18 Budget: £520k**Reduction: £0*

This is the budget to maintain and service the lifts within our blocks of flats across the city. The current contract costs £520k/ year. The contract is expected to be for 3 + 1 years, with an anticipated total over £2m. We will be seeking Cabinet approval to procure the contract within the HRA Budget Cabinet report.

Heat Management*17/18 Budget: £517k**Reduction: £0*

This budget is for the servicing and maintenance of our communal boilers and systems providing heat and hot water to flats in blocks. The current budget is £500k/ year, and the contract estimate is £2m. We will be seeking Cabinet approval to procure the contract within the HRA Budget Cabinet report.

The result of the phase one review is a reduced budget for 17/18 and reductions as well as increased confidence in the figures across the life of the business plan. Additionally, the proposals should lead to a more consistent approach to investment decisions, better governance in decision-making and the delivery and more confidence that we are investing our money where it will have the greatest impact on the life of our tenants.

Next stages

Good progress has been made to date on reviewing our investment decisions and processes. Over the next year, we need to continue to build on this good work, specifically:

- Ensure implementation of the agreed actions for each service from Phase One – including decisions informing future tendering processes, changes in approach, introducing improved governance arrangements
- Communication of agreed priorities and approach, and the impact of these with tenants, councillors and other stakeholders.
- Identify and agree Phase Two – reviewing services not considered in the first phase, and in some cases means looking again at Phase One services
- Embark on a project looking at previous cladding schemes – blocks and homes – looking at age, condition, performance, issues and forecast investment needs to repair and replace.
- Continue with developing our block asset intelligence – proactive surveys, identifying urgent priorities and forecasting short and long term investment needs