For publication

Housing Capital Programme: New Programme for 2017/18 through to 2021/22

Meeting:	Council
Date:	23 February, 2017
Report by:	Housing Manager Director of Finance & Resources

For publication

1.0 Purpose of report

1.1 To seek approval for the public sector housing 'Capital' programme for 2017/18 and provisionally for 2018/19 to 2021/22.

2.0 Recommendations

2.1 That the Housing (Public Sector) Capital Programme for 2017/18 is approved and its procurement, as necessary, be authorised.

2.2 That the Housing (Public Sector) Capital Programmes for 2018/19 to 2021/22 are provisionally authorised.

2.3 That the Operational Services Division share of the Programme be approved.

2.4 That he Housing Manager be authorised to transfer funds between programme heads and budgets to manage the Capital Programme as set out in the report.

3.0 Financing the 2017/18 Programme and Beyond

3.1 The overall financial strategy continues to focus on the maintenance of the Decent Homes Standard, improving the non-traditional housing stock and starting to deliver improvements to the estate environment in the immediate short term.

3.2 However, following the introduction of a new National Social Rent Policy, as part of the Welfare Reform and Work Act in 2016, which reduced rents by 1% per annum for four years (Cabinet 26 January 2016), the Housing Revenue Account (HRA) Business Plan is showing a loss of income of £10 million over this same period. The implications of this loss of income on the HRA Business Plan and the Housing Capital Programme were reported to Cabinet on 17 May 2016 and a further update is included in a separate report on this agenda.

3.3 Cabinet has been asked to approve revenue support for the 2017/18 Housing Capital Programme to the sum of £5,546,861. The 2017/18 Programme also includes £10,441,000 of carry forward from 2016/17 relating to schemes where work started later than anticipated e.g. new build housing at Rufford Close, refurbishment of a sheltered housing scheme (Brocklehurst Court) and the estate improvements at Barrow Hill.

3.4 Whilst income from the sale of council homes under the Right to Buy is still low compared to receipts in the past, there has been a continued upturn in the rate of sales and this could continue as several new Government policies are introduced, including flexible 'fixed term' tenancies. 71 sales have been completed in 2016/17 at 1 January 2016, above the self-financing assumption of 21. The HRA Business Plan for the coming years assumes levels above the self-financing assumptions of 50 in 2017/18, 50 in 2018/19 and 25 thereafter for the next 5 years. Additional receipts from Right to Buys exceeding those figures in the self-financing assumptions can be retained in Chesterfield for the provision of new affordable housing, this money must be spent within three years and will require a funding contribution of 70% from HRA resources. The receipts accumulated to date have been largely spent on the delivery of the new Parkside Older Persons Housing Scheme and in year strategic property acquisitions.

3.5 However, as shown in the HRA Business Plan report, (referred to in Paragraph 3.2) the HRA will have insufficient funding available to meet this 70% funding contribution in the future. If these retained receipts are not used within 3 years then they must be returned to DCLG together with 4.5% interest. Therefore in order to ensure that the receipts are retained in Chesterfield and used for the provision of new affordable housing, Cabinet agreed on 1 November 2016 to work with other local Registered Providers in exchange for a proportion of the stock on site and nomination rights, in additional to a modest new build scheme and a strategic acquisitions programme within the Housing Capital Programme.

3.6 The forecast total level of funding available for investment in the stock is sufficient to maintain the stock at 100% Decency based on the 2013 stock condition survey in the next five financial years (2017/18 to 2021/22). However after this date and as covered in the HRA Business Plan Report (referred to in Paragraph 3.2) there will be a requirement to re-phase the Housing Capital Programme based on the current stock condition survey, which brings into question our ability to continue to meet the Decent Homes Standard after this date.

3.7 The Government, in all of its future housing policy announcements, have been silent on the requirement for social housing to continue to maintain the Decent Homes Standard. Many housing providers find themselves in the same financial position as Chesterfield and are re-phasing their capital programmes and reviewing the way they deliver future maintenance programmes.

3.8 An analysis of resources currently available for the 2017/18 Capital Programme and in each of the following four years is attached at **Appendix 1**.

4.0 The 2017/18 and Future Programmes

4.1 The introduction of Self Financing in the HRA opened up the potential to borrow to finance investment in the stock up to and beyond the Decent Homes Standard.

4.2 The proposed 2017/18 programme and in each of the following four years continues to broadly reflect the capital programme used in the HRA Business Plan in previous years and addresses needs arising due to the ageing stock as identified in the Stock Condition Survey.

4.3 Currently 100% of the housing stock meets the Decent Homes Standard at the 1 January 2017 and we fully anticipate this will continue to be 100% at the 31 March 2017.

4.4 The focus of the programme remains on the modernisation of properties to maintain the Decent Homes Standard with the balance of activity over the next twelve months concentrating on building elements such as roofs, windows and improvements to external estate environments. However, due to the reduced income to the HRA in at least the next three years, a review of the way in which we will deliver future maintenance programmes was carried out in 2016/17. This review included the following:

- Standards that the stock is maintained against
- Review of procurement strategy, investment plan and capital / revenue mix
- Ensuring that the Repairs and Maintenance Service is structured to deliver the needs of the stock in the most efficient way
- Asset Performance
- Development Potential
- Ensuring the stock condition survey and the HRA Business Plan are based on the conclusions derived from the above

4.5 This review of repairs and maintenance has been carried out at the same time as extensive work in reviewing the Housing Revenue Account (HRA) Business Plan, which was required in the light of changes to national housing policy. Consideration of the implications of these policy changes to the financial viability of the HRA Business Plan and making recommendations to mitigate these implications has been carried out.

4.6 As a result of the rent reduction (reported to Cabinet 26 January 2016 and most recently on 24 January 2017), the introduction of the 'disposal of high value assets' and welfare reforms, the financial viability of the HRA has worsened. A series of mitigating actions to improve this position have been recommended by the HRA Business Planning Steering Group (section 5 of this report) which include:

- 52 week rent year (agreed by Cabinet on 24 January 2017)
- Reduce responsive repairs budget
- Reduced and re-phased Capital Programme
- Actions to reduce rent loss through arrears and voids (empty properties)

4.7 These actions have been built into the accounts and the HRA Business Plan resulting in the healthier forecasts contained in the HRA Budget report included on this agenda. It is important to note that the budget projections assume that all the measures identified above are successful. Therefore there is still the risk that the HRA balances may be lower than forecast if any of the above actions are not as successful as hoped.

4.8 Many of the programmes for 2017/18 have already been procured in 2016/17 to ensure delivery on the ground does not slip due to any individual contracts ending and starting.

4.8.1 The **Central Heating Programme** will continue in order to remove the risk of large scale heating failures as a result of the age of boilers and the non-availability of the required parts.

4.8.2 The **roof replacement** programme will continue to be one of the largest areas of works to ensure that properties maintain the Decent Homes Standard. The roofing programme will also run in conjunction with chimneys, soffits and fascias and rainwater goods, to minimise the need to scaffold.

4.8.3 A programme is included for the **replacement of aging UPVC windows;** these replacements will in the main continue to precede the installation of **External Wall Insulation** to non-traditional and solid wall properties.

4.8.4 New programmes have been included for parking area resurfacing and garage site improvements. However, following the repairs and maintenance review these are only aimed at reducing the risk of potential insurance claims, due to slips and trips in these areas and do not include improvement work to the structure of the garages themselves.

4.8.5 Members previously approved a programme of environmental improvements at **Barrow Hill, London Boroughs Estate** and continued provision has been made for this work.

4.8.6 Provision has also been made to deliver a **new build housing scheme** at Rufford Close, Boythorpe (4 units) and at Manor Drive, Brimington (5 units).

4.8.7 The **Non Traditional (PRC) Housing stock** remains one of the key areas for modernisation and a programme of works has been included, following the results of a structural survey, continuing with **the Trusteel and the BISF** properties in 2017/18. Work will not commence to the **Unity** properties until further work has been completed to understand the exact defects and to identify a solution where work can be completed with tenants in-situ.

4.8.8 The successful programme of **strategic housing acquisitions** has been continued to allow the purchase of properties which meet a strategic housing need, including former Right to Buys.

5.0. Tenant Involvement and Consultation

5.1 In July 2016 a Steering Group was established to consider the implications for the Housing Revenue Account (HRA) Business Plan following national housing policy changes, including the reduction in rents for 4 years until April 2020 and to make recommendations as to how these implications can be mitigated. The Steering Group comprises of cross party elected members, officers and tenants.

5.2 This Steering Group have been involved in both the financial review of the HRA and the review of Repairs and Maintenance. In December 2016, they recommended to the Corporate Cabinet and Corporate Management Team a series of recommendations to mitigate the worsening financial position within the HRA which included;

- A £500,000 reduction in the responsive repairs budget in 2017/18 and each of the following two financial years,

after which the budget will be increased by inflation (CPI). A separate report detailing this recommendation is included on this agenda.
- A reduced and re-phased capital programme

These recommendations were endorsed by the Corporate Cabinet and Corporate Management Team, pending the approval of Cabinet.

5.3 During the review, the HRA Business Plan steering group and other tenants have played an integral part in reviewing and/ prioritising the Capital Programme, including debating and agreeing the principles which support our investment programme. They have for the first time developed a 5 year capital programme and have set the investment principles, set out below, based on the stock condition survey requirements and areas in which there is a high level of responsive repairs spend.

6.0 Investment Principles

6.1 The Borough has been divided into 13 Local Investment Programme Areas (LIP) based on the housing allocation areas. Work in these areas has then been prioritised across the five year programme depending on the level of investment needed according to the stock condition survey and the amount of recent expenditure on repairs and maintenance in those areas. The area with the highest level of need and expenditure will receive work in the first year, reducing to year 5. This programme of work can be seen in **Appendix 2**.

6.2 The work has been packaged into four distinct types, with routine decent homes internal work e.g. kitchens, bathrooms, heating, rewires continuing on a year by year basis depending on whether that work is required to ensure the property continues to meet the decent home standard. The other packages include;

- Externals – Works to the exterior of a property e.g. windows, doors, roofs, pointing and external wall insultation
- Blocks – Exterior work as described above to blocks of flats
- Unity – The work to ensure the future structural stability of the council's 122 Unity dwellings

- Environmentals – Fencing, gates, footpaths communal areas

6.3 No area will receive work in more than one package in each year. This is to ensure that all tenants benefit from some investment in their home or area in each of the 5 years. All of the work required to the properties in that area, in that package will be carried out in that one year. This will ensure efficiencies in terms of contractors on site and reduced disturbance for tenants.

7.0 Supporting Local Contractors

7.1 The sustained value of the Capital Programme is not only welcome but gives us the opportunity to, in some way, offset some of the worst effects of the current economic downturn on local contractors. The introduction of a five year programme, for the first time, will allow Operational Services to plan for future works and make changes to the workforce in terms of numbers of operatives, trades and whether they work on capital or responsive repairs programmes of work.

7.2 Housing Services continue to take a key role in the council's corporate arrangements for the procurement of contracts and their management. Where possible a clause is included in contracts to ensure a proportion of local labour.

8.0 Operational Services Share Of Programme

8.1 **Appendix 1** also shows the portion of the Capital programme that it is proposed to allocate to OSD. This is an increase on previous year's allocations both in terms of value and proportion of the programme and has been achieved in discussion with the Commercial Services Manager to ensure continued operational effectiveness.

8.2 Where possible, the Operational Services Division 'share' of the Housing Capital Programme will be increased by at least £500,000 in each year in order to ensure a consistent level of income and work for the workforce. This will also mitigate OSD against the reducing responsive repairs budget in each of the next three years by £500,000 per annum. This is covered in a separate report on this agenda.

9.0 Financial Implications

9.1 The recommended capital programme for the next 5 years is a reduced capital programme against that currently contained in the HRA Business Plan, which was based on a stock condition survey carried out in 2013/14. This programme has be derived at by analysing the stock condition survey, identifying programmes or work that can be deferred in the early years and where disinvestment can take place. This has delivered a revised programme which saves £7million over the next five year period than that previously covered in the 2016/17 HRA Business Plan.

9.2 This saving will provide some mitigation to the HRA against changes in national housing policy affecting its financial viability and will contribute to ensuring that the HRA Business Plan remains balanced, sustainable and self-financing in the longer term.

9.3 In order to ensure that the Business Plan remains up to date and is based on an up to date understanding of the investment needs of the Housing Stock, a revised stock condition survey is due to be carried out before the end of the 2016/17 financial year. The costs associated with this survey are included in the 2016/17 housing capital programme.

9.4 Once the results of this stock conditions survey have been received, they will be input into the HRA Business Plan to identify any further implications to the financial viability of the Business Plan and a report will be brought to members.

10.0 Risk management

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Failure to maintain Decent Homes Standard targets due to re-phased capital programme	Low	Low	Resources will be targeted to areas at risk of Decent Homes Standard failure.	Low	Low

Worsening Tenant Satisfaction due to re – phased capital programme	Medium	Medium	Ensure that tenants and members are involved in the review of future maintenance services Publicise the 5 year programme of works to tenants so they can see when homes in their community will benefit from improvement work	Low	Low
Declining Stock Condition due to re-phased capital programme	Low	Low	Carry out a new stock condition survey in early 2017 to inform the HRA Business Plan and to ensure future investment needs are met	Low	Low
Health Impacts on occupants	Medium	Medium	Ensure Capital Investment continues in the non-traditional housing stock, which exhibit the most issues linked with poor health e.g. cold and damp conditions	Low	Low

11.0 Equalities Impact Assessment (EIA)

11.1 A full Equality Impact Assessment is attached at **Appendix 3**.

12.0 Recommendations

12.1 That Cabinet recommends that:

a) The Housing (Public Sector) Capital Programme for 2017/18 is approved and its procurement, as necessary, be authorised.

b) The Housing (Public Sector) Capital Programmes for 2018/19 to 2021/22 are provisionally authorised.

c) The Operational Services Division share of the Programme be approved.

d) The Housing Manager be authorised to vire between programme heads and budgets to manage the Capital Programme as set out in the report.

13.0 Reasons for recommendations

13.1 The council will be able to maintain its 'Decent Homes Standard' targets in line with the Council's Vision and Corporate Plan.

13.2 The condition of the Public Sector housing stock and its environment will be maintained and improved.

13.3 To contribute to the aims of the Borough Housing Strategy and to deliver the HRA Business Plan.

Glossary of Terms *(delete table if not relevant)*	
e.g. HRA	*Housing Revenue Account*

<u>Decision information</u>

Key decision number	**698**
Wards affected	**ALL**
Links to Council Plan priorities	To provide value for money services.

<u>Document information</u>

Report author	**Contact number/email**
Alison Craig	**345156 / alison.craig@chesterfield.gov.uk**
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
Appendices to the report	
Appendix 1	Analysis of resources
Appendix 2	Investment Plan Timetable
Appendix 3	EIA