

FOR PUBLICATION

HOUSING CAPITAL PROGRAMME: NEW PROGRAMME FOR 2016/17, 2017/18 AND 2018/19(H000)

MEETING: 1. COUNCIL
2. CABINET
3. CABINET MEMBER FOR HOUSING

DATE: 1. 25 FEBRUARY 2016
2. 23 FEBRUARY 2016
3. 8 FEBRUARY 2016

REPORT BY: HOUSING SERVICE MANAGER – BUSINESS
PLANNING AND STRATEGY

WARD: ALL

COMMUNITY
ASSEMBLIES: ALL

KEY DECISION REFERENCE
(IF APPLICABLE): 581

FOR PUBLICATION

1.0 **PURPOSE OF REPORT**

1.1 To seek approval for the public sector housing 'Capital' programme for 2016/17 and provisionally for 2017/18 and 2018/19.

2.0 **RECOMMENDATIONS**

2.1 That Cabinet recommends to Full Council that;

a) The Housing (Public Sector) Capital Programme for 2016/17 is approved and its procurement, as necessary, be authorised.

- b) The provisional Housing (Public Sector) Capital Programme's for 2017/18 and 2018/19 are noted.
- c) The Operational Services Division share of the Programme be approved.
- d) The Housing Service Manager - Business Planning and Strategy be authorised to vire between programme heads and budgets to manage the Capital Programme as set out in the report.

3.0 **FINANCING THE 2016/17 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 for 2016/17 – 2019/20, which reduces rents by 1% per annum (Cabinet 26th 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 are included in a separate report on this agenda.
- 3.3 The introduction of 'self-financing' in the HRA changed the way in which resources are used and whilst Direct Revenue Financing (DRF) is still available, the longer term funding of the Housing Capital Programme will be substantially dependant on borrowing within the new debt ceiling.
- 3.4 Cabinet has been asked to approve revenue support for the 2016/17 Housing Capital Programme to the sum of £10,125,158. The 2016/17 Programme also includes £5,355,835 of carry forward from 2015/16 relating to schemes where work started later than anticipated e.g. new build housing at Rufford Close, external wall insulation, window replacements and West View Terrace boundary treatments.
- 3.5 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 an upturn in the rate of sales and this could continue due to the Government's Right to Buy advertising campaign in the area and as several new Government policies are introduced, including 'Pay to Stay'. 49 sales have been completed in 2015/16 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 2016/17, 50 in 2017/18 and 25 thereafter for the next 6 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.

- 3.6 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. 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, opportunities will be explored with other local Registered Providers in exchange for nomination rights in addition to a modest strategic acquisitions programme.
- 3.7 The forecast total level of funding available for investment in the stock is sufficient to maintain the stock at 100% Decency based on the last stock condition survey in the next two financial years (2016/17 and 2017/18), 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.
- 3.8 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.
- 3.9 An analysis of resources currently available for the 2016/17 Capital Programme is attached at **Appendix 1**.

4.0 **THE 2016/17 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 2016/17 programme 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 2015 and we fully anticipate this will continue to be 100% at the 31 March 2016.
- 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 heating, roofs and rewires. However, due to the reduced income to the HRA in the next four years, it is recommended that in the early part of 2016/17 Chesterfield Borough Council carries out a review of the way in which it will deliver future maintenance programmes. This review will include 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 Many of the programmes for 2016/17 have already been procured in 2015/16 to ensure delivery on the ground in does not slip due to any individual contracts ending and starting.
- 4.6 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.
- 4.7 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 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.
- 4.9 New programmes have been included for parking area resurfacing and garage site improvements, these are aimed at reducing the risk of potential insurance claims, due to slips and trips in these areas.

- 4.10 Building on the recent Asbestos Compliance Review, programmes for Asbestos Management Surveys, Refurbishment and Demolition Surveys and Removal of Asbestos have been significantly increased.
- 4.11 Members previously approved a programme of environmental improvements at **Barrow Hill, London Boroughs Estate** and provision has been made for this work.
- 4.12 Provision has also been made to deliver a **new build housing scheme** at Rufford Close, Boythorpe.
- 4.13 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 **REEMA, the Trusteel and the BISF** properties in 2016/17
- 4.14 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**

- 5.1 Tenants have played an integral part in reviewing and prioritising the Capital Programme and their views are reflected in the broad priorities of the proposed programme shown at **Appendix 1**. Whilst values may vary and other factors come into play we are generally able to reflect tenant priorities in the proposed capital programme in particular the increased investment in environmental elements.

6.0 **SUPPORTING LOCAL CONTRACTORS**

- 6.1 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.
- 6.2 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.

7.0 **OPERATIONAL SERVICES SHARE OF PROGRAMME**

- 7.1 **Appendix 1** also shows the portion of the Capital programme that it is proposed to allocate to OSD. This is consistent with previous year's allocations and is achieved in discussion with the Operational Services Manager to ensure continued operational effectiveness.

8.0 **RISK MANAGEMENT**

Description of the Risk	Risk Rating	Likelihood	Impact	Mitigating Action	Likelihood	Impact
Failure to maintain Decent Homes Standard targets due to re-phased capital programme	Low	Low	Low	Resources will be targeted to areas at risk of Decent Homes Standard failure. Carry out a review of the way in which future maintenance service are delivered	Low	Low
Worsening Tenant Satisfaction due to re – phased capital programme	Medium	Medium	Medium	Ensure that tenants and Members are involved in the review of future maintenance services	Low	Low
Declining Stock Condition due to re-phased capital programme	Low	Low	Low	Carry out a review of the way in which future maintenance services are delivered	Low	Low
Health Impacts on occupants	Medium	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

9.0 **EQUALITIES ISSUES**

9.1 An Equality Impact Assessment is attached at **Appendix 2**.

10.0 **RECOMMENDATIONS**

10.1 That Cabinet recommends to Full Council that;

- a) The Housing (Public Sector) Capital Programme for 2016/17 is approved and its procurement, as necessary, be authorised.
- b) The provisional Housing (Public Sector) Capital Programme's for 2017/18 and 2018/19 are noted.
- c) The Operational Services Division share of the Programme be approved.

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

11.0 **REASONS FOR RECOMMENDATION**

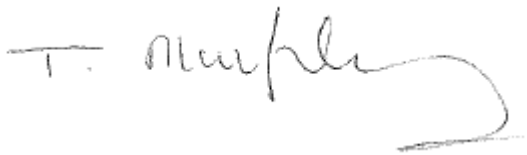
- 11.1 The Council will be able to maintain its 'Decent Homes Standard' targets in line with the Council's Vision and Corporate Plan.
- 11.2 The condition of the Public Sector housing stock and its environment will be maintained and improved.
- 11.3 To contribute to the aims of the Housing Strategy and deliver the HRA Business Plan.

ALISON CRAIG

HOUSING SERVICE MANAGER – BUSINESS PLANNING AND STRATEGY

You can get more information about this report from Alison Craig on extension 5156.

Officer recommendation supported.



Signed:

Cabinet Member

Date: 8 February, 2016