

For publication

Housing Repairs Budget 2017/18 (CC000)

Meeting:	Cabinet
Date:	21 February 2017
Cabinet portfolio:	Customers & Communities
Report by:	Housing Manager Director of Finance & Resources

For publication

1.0 Purpose of report

- 1.1 To agree and set the Housing Repairs Budget for 2017/18 onwards.

2.0 Recommendations

- 2.1 That the Housing Repairs Budget of £8,691,000 for 2017/18 as set out at **Appendix 1** be approved.
- 2.2 That the Housing Repairs Budget for 2018/19 and 2019/20 be decreased by a further £500,000 in each financial year, after which it will be set in accordance with an increase in the rate of inflation (CPI).
- 2.3 That the Commercial Services Manager be authorised to vire between responsive repairs budget heads in order to effectively manage and respond to fluctuations in tenant-led or weather dependent repairs.

3.0 **Report details**

Background

- 3.1 The Housing Repairs Budget finances day-to-day and planned revenue expenditure to the council's Housing Stock.
- 3.2 The base position has, traditionally, been arrived at by applying the financial effect of any approved budget growth, inflation (indexation) and stock reduction through Right to Buy.
- 3.3 However, during 2016/17 a detailed review of the way in which Chesterfield Borough Council deliver future repairs and maintenance programmes has been carried out. This review has 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
- 3.4 The review has identified that, amongst other findings, the council is spending on average £1,000 per property per year on day to day repairs and maintenance. This is in excess of the industry average of £850 per property per year and is **in addition** to the circa £20million per annum capital investment programme that has been made to the council housing stock in each of the last three years. A detailed report on this review is currently being prepared and will be brought to Members in the early spring of 2017.
- 3.5 Despite all of the council housing stock meeting the Decent Homes Standard since 2015, the demand for responsive repairs has not decreased and therefore accordingly neither has the

responsive repairs budget. Evidence and benchmarking with other social landlords confirms that the need for responsive repairs and their associated costs should decrease after major building components e.g. kitchens, bathrooms, heating systems, roof and rewires have been carried out, as the need for minor repairs due to age and fair wear and tear has been removed.

- 3.6 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. This review has been required in the light of changes to national housing policy. Consideration of the implications of these to the financial viability of the HRA Business Plan and making recommendations to mitigate these implications has been carried out.
- 3.7 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)

- 3.8 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.

Proposed Budget for 2017/18

- 3.9 The repairs budget is entirely financed from rental income and is one of the largest budget heads within the Housing Revenue Account.

- 3.10 The total budget for 2017/18 is £8,691 million (decreased by £500,000 from £9,191 million in 2016/17 in accordance with the recommendation made by the HRA Business Plan Steering Group below at para 3.14).
- 3.11 The table at **Appendix 1** shows the proposed budget analysis for 2017/18.
- 3.12 Performance and efficiency will still remain key drivers for the service and all opportunities for savings or other efficiencies will be taken in year wherever possible.

Tenant Participation

- 3.13 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.
- 3.14 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 reduced and re-phased capital programme, of which a separate detailed report is included on this agenda

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

- 3.15 In order to achieve the £500,000 saving in 2017/18, it is recommended that, in the main, the reduction in budget is taken from that allocated to 'repairs to void properties on re-let'

(£400,000), as this budget was increased by £400,000 in 2014/15 to take account of a potential increase in turnover of properties as tenants 'downsized' due to the introduction of the 'bedroom tax'. In reality we have not seen this increase in turnover and the budget has largely been underspent.

3.16 The remaining balance has been taken from budgets which have consistently underspent in recent years or are no longer utilised due to capital improvements e.g. gas heating improvements, as this work is carried out on the Central Heating Replacement Programme contained with the Housing Capital Programme.

3.17 In order to achieve the same saving in each of the following two financial years, further work and consultation with tenants will be required to explore where these savings can be made. The HRA Business Planning Steering Group have recommended that consideration be given to;

- Reviewing tenant repairing obligations e.g. tenants taking more responsibility for their own repairs and damage
- Reviewing repair response times
- Reviewing void standards and undertaking some work after a property has been re-let as part of the Housing Capital Programme
- Adopting a standard approach to the removal of the previous tenants fixtures and fittings

3.16 In addition to the above work, the Tenant Challenge Panel and individual focus groups have been involved in carrying out in-depth reviews of the repairs policy. These reviews include the Void Lettable Standard, under which they carry out ongoing 'spot checks' on randomly selected properties to assess them against the standard. Tenants will continue to be involved in reviewing and assessing the Repairs Service to ensure continuous improvement.

4.0 **Human resources/people management implications**

4.1 The reduced responsive repairs budget in 2017/18 and each of the following two financial years will have an implication for the income of the Operational Services Division and therefore potentially the workforce.

4.2 In order to mitigate this risk, where possible, the Operational Services Division 'share' of the Housing Capital Programme will be increased by at least £500,000 over the same period in order to ensure a consistent level of income and work for the workforce.

5.0 **Financial implications**

5.1 The reduction of the Responsive Repairs Budget by £500,000 per annum in each of the following three financial years (2017 – 2020) will result in a saving of £1.5million to the Housing Revenue Account.

5.2 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.

5.3 The costs associated with the requirement to consult tenants on changes to the tenancy agreement in relation to potential changes to tenants repairing obligations will be met by the HRA.

5.4 A sum of £30,000 is currently held within the HRA for consultation with tenants over the ways in which water rates are collected by the council, as an agent, on behalf of Severn Trent. It is proposed that this sum is utilised for the payment of the consultation relating to the repairing obligations and other changes required to the tenancy agreement in 2017/18. This was agreed as part of the Annual Housing Revenue Account Rent (HRA) and Service Charge Setting Report to Cabinet on 24 January 2017.

6.0 **Risk management**

Description of Risk	Likelihood	Impact	Mitigating Action	Resultant Likelihood	Resultant Impact
Repairs costs exceed budget	Low	Medium	Monthly budget monitoring in place to rectify departures from profiled spend	Low	Low

			Budget virement smooths out individual budget issues		
Serious financial impact from severe weather or other disaster	Medium	Medium	Budgets would be varied as necessary and/or use HRA reserves including use of in year surplus for DLO	Medium	Low
Service disruption due to adverse weather	Medium	Medium	Work re-prioritised staff work additional hours/weekends Fleet includes 4x4 vehicles	Medium	Low
Disrepair legal claims	Medium	Medium	Repair process tracks repairs to minimise exposure to risk	Medium	Low
Unforeseen expenditure	Low	Medium	Budgets would be varied as necessary and/or use HRA reserves including use of in year surplus for DLO	Low	Low

7.0 Legal and data protection implications

7.1 Where general changes to the tenancy agreement are intended, local authority landlords under secure tenancies are obliged to consult with their tenants in accordance with the 1985 Housing Act section 105. This includes matters that are likely to affect the secure tenants of the landlord as a whole or a group of them.

8.0 Equalities Impact Assessment (EIA)

8.1 A full Equalities Impact Assessment has been carried out and is attached at **Appendix 2**.

9.0 Recommendations

- 9.1 That the Housing Repairs of £8,691,000 for 2017/18 as set out at **Appendix 1** be approved.
- 9.2 That the Housing Repairs Budget for 2018/19 and 2019/20 be decreased by a further £500,000 in each financial year, after which it will be set in accordance with an increase in the rate of inflation (CPI).
- 9.3 That the Commercial Services Manager be authorised to vire between responsive repairs budget heads in order to effectively manage and respond to fluctuations in tenant-led or weather dependent repairs.
- 10.0 **Reasons for recommendations**
- 10.1 To permit required maintenance of the Housing Stock.
- 10.2 To contribute to the delivery of a balanced and sustainable Housing Revenue Account, which is self-financing in the longer term
- 10.3 To support working with tenants through the Customer Engagement Strategy.
- 10.4 To support the Council’s Vision and priorities within the Council Plan.

Glossary of Terms <i>(delete table if not relevant)</i>	
<i>e.g. HRA</i>	<i>Housing Revenue Account</i>

Decision information

Key decision number	699
Wards affected	ALL
Links to Council Plan priorities	

Document information

Report author	Contact number/email
Alison Craig	Tel: 01246 345156 email: alison.craig@chesterfield.gov.uk
Background documents	
None	
Appendices to the report	
Appendix A	Proposed Housing Repairs Budget 2017/18
Appendix B	EIA