

CABINET

14 JUNE 2011

REPORT OF THE CABINET MEMBER FOR HOUSING

Title: Housing Capital Investment Programme 2011 - 2012	For Decision
<p>Summary:</p> <p>The purpose of this report is to seek approval for an interim programme of investment to the Council's Housing stock and estates for 2011/12. The report sets out the capital resources available for new housing investment projects and recommends schemes that can be delivered in 2011/12.</p> <p>The programme should be seen as one that bridges the period until April 2012. At that time there will be in place a Housing Asset Management Strategy for the new era for council housing under the self financing arrangements.</p> <p>From April 2012 the current system of supporting council housing through the distribution of subsidy by DCLG based on need, will be replaced with a self-financing system. Under the new system each Local Authority will be required to pay to DCLG an amount equivalent to the notional housing debt that is held by central government for each council. The net result of the new system is that LBBD will retain all of its rents and will be responsible for funding and planning the long-term maintenance of its stock. In the longer-term the settlement will provide progressively more resources for investment as rents increase. However, in the early years there are limited additional resources for investment and this requires the construction of an investment programme profiled in line with resources over a thirty year period.</p> <p>The main investment categories of the new Housing Asset Management Strategy, subject to approval by Cabinet, will be:</p>	
Decent Homes investment programme	A detailed 10 year investment programme is being developed and profiled to align with available resources and to address the decent homes backlog within an 8 year period
Estate renewal programme	<p>A fundamental element of the investment strategy is to demolish and redevelop 1,925 flats on estates that are deemed uneconomic in which to invest. The intention is to decant and demolish these properties over a 10 to 15 year period: this will free resources for investment in the remaining stock. Resources of £23m have been identified to fund decant and demolition costs for the first phase of the programme, through corporate and departmental borrowing.</p> <p>The remainder of the programme is concentrated on Gascoigne estate which requires a further £23m to be secured: a range of options are being considered including utilising resources within the HRA and innovative joint venture and funding arrangements.</p>

New build programme	<p>Subject to resources being available the intention is for a programme of new Council homes to be funded from within the HRA. Sufficient resources may not be available within the HRA to fund such a programme in the first six years following implementation of self-financing.</p> <p>Funding for redevelopment for King William Street Quarter and eastern end of Thames View is being secured through the BSF Local Education Partnership (LEP) which involves innovative sale and leaseback arrangements whereby private sector partners construct and fund new properties in exchange for guaranteed rent payments with the Council carrying out management services; at the end of the funding term the homes revert to full Council ownership</p>
Additional investment resources	<p>The Council is considering complementary arrangements to access additional sources of funding to help deliver LBBDD's investment objectives. Funding development secured through the BSF LEP whereby homes funded by private equity and are returned to full Council ownership after 60 years exemplifies this. This mechanism is also being explored to assist the development of other Council house building.</p>

Wards Affected: All

Recommendation(s)

The Cabinet is recommended to:

- (i) Agree the prioritised housing investment programme of works for 2011-12 period as set out in Appendix 1
- (ii) Delegate authority to the Corporate Director of Customer Services, in consultation with the Cabinet Member for Housing to agree the procurement strategies, and in further consultation with the Divisional Director of Legal and Democratic Services and terms and conditions and award of contracts for the schemes set out in Appendix 1 and in accordance with the Council's CPMO gateway programme.

Reason(s)

Improving housing conditions and quality of life for people living in Council owned housing has been, and continues to be, the driving principle of Housing Investment activity and the schemes proposed for inclusion within this report reflect this priority.

Comments of the Chief Financial Officer

This report makes references to resources being available within the HRA in the future to fund investment. The availability of these resources will depend upon the finalisation of the HRA business plan under self-financing which is being implemented from April 2012. The model is being constructed by PWC in conjunction with LBBD officers but has not yet been finalised.

The report makes references to a full £23m being available for the initial estate renewals works. However, this funding relies upon the Council being able to use the 2011/12 Decent Homes funding allocation of £2m for these purposes and confirmation still needs to be obtained from CLG in this respect. The remainder of the funding has arisen from headroom being made available in the Council's HRA borrowing as a result of CLG agreeing to "zero" the £19m negative debt in the one-off settlement calculation at 1 April 2012. However, there is still an unidentified shortfall of approximately £1m which has yet to be financed.

The report refers to the Leaseholder Reserve balance of £5m. This has increased to £6m as at 31 March 2011. This reserve has arisen as a result of capital schemes relating to leaseholders being financed from the annual MRA (Major Repairs Allowance) rather than utilising the leaseholder reserve. This balance is available to be used for future capital programmes.

Legal Comments

The Legal Practice has been consulted in the preparation of this report.

It is proposed that the contracts to be entered into to deliver the capital programme works listed in Appendix 1 be procured via the Council's CPMO programme. This is a gateway process intended to ensure that the appropriate financial, legal, procurement and governance processes have been complied with by the relevant capital projects such as those listed in Appendix 1.

The Legal Practice is satisfied that this process will ensure compliance.

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1. Background

- 1.1 The Housing Capital Programme makes major contributions to Strategic objectives, including: achievement of the Decent Homes standard, providing affordable homes, tackling crime and disorder and help achieve local sustainability.

- 1.2 The Council was successful with its bid for resources to Central Government for tackling the decent homes backlog. A bid for £65m was submitted to the Government in January 2011 and a total of £42m over a 4 year period (2011-12 to 2014-15) has been allocated, although it must be emphasised that £31m of this, over the last 2 years of the period, is yet to be confirmed in governmental spending decisions and is subject to the national economic situation.
- 1.3 In March 2010 the previous Government produced their proposals to replace the current system of financing for council housing with a new self financing regime. The current Government has continued with the implementation of this policy and the proposals are within the Localism Bill, now before Parliament. Under the terms of the settlement LB Barking & Dagenham will take on approximately £281m debt (though there are negotiations underway with DCLG to discount this to reflect the Council's estate renewal programme). In return the Council retains all of the rental income generated; DCLG calculate that this will enable the Council to fund investment in its stock over a thirty year period to adequately maintain it and secure a viable Housing service, and the Council accepts this position.
- 1.4 In line with best practice a new housing stock condition survey was commissioned in 2010 to inform investment programme planning. The findings of the survey underpin the development of the new housing asset management strategy. The main findings of the survey are:
- 30 year Decent Homes investment requirement £1.31bn
 - 30 year revenue programme requirement £ 470m
 - Homes currently non-decent homes 33.6%
- 1.5 Work is in progress to produce both a Council Housing Asset Management Strategy and HRA Business Plan to be in place for the introduction of the new arrangements in April 2012. It should be noted that this work is being carried out in close discussion with the Cabinet Member for Housing and will be reported to CMT and through to Cabinet.

2. Proposal

- 2.1 Outlined below are the investment streams which comprise the proposed programme for commitment of resources identified elsewhere in this report:
- 2.1.2 External Enveloping
The proposed external enveloping works project will address the need to enhance the external fabric of blocks of flats around the borough through the concrete repairs and re-decoration of blocks of flats.
- 2.1.3 Kitchen Installation
The proposed kitchen installation project is the upgrading of kitchens within individual homes, which will contribute to making more homes decent.
- 2.1.4 Central Heating Installation

This is the upgrading of and installation of new gas central heating systems to homes across the Council stock. It is expected that works will contribute to the decent homes standard programme.

2.1.5 Door Entry Phone Installation

A targeted project designed to address local issues such as security and safety through the installation of door entry systems.

2.1.6 The Upgrade to Communal Lighting and Switchgear

Upgrading of communal lighting within blocks of flats as part of planned programme to improve security, and reduce maintenance costs. It includes the renewal of communal lighting and upgrading of landlords lighting.

2.1.7 Bathroom Installation

Upgrading of bathrooms to existing properties, which would contribute to the decent homes programme.

2.1.8 Replacement of Windows (Gascoigne Estate – Ground floor flats only)

Replacement of windows to flats on the ground floor of specific blocks on the Gascoigne Estate to improve security.

2.1.9 There is provision within the Council's Capital Programme to fund the programme set out in Appendix 1 and the remainder of the committed Housing Capital programme 2009/11. The original capital budget for 2011 /12 was £17.7m. In January it was agreed to roll over £1.3m, bringing the available resource to £19m. A further underspend on the remainder of the committed programme of £2.5m is available to carry into 2011/12, in addition to the increased MRA funding for 2011/12, hence – giving an aggregate capital resource of £23m. Other funding resources include the Leaseholder reserve (current balance at approx £5m). Capital receipts in 2010/11 for 69 properties generated approximately £1.5m to the council after repayment of pooling to CLG. This is not currently restricted to spend on housing.

3. Financial Issues

3.1 The £17.7m funding comprises £1.8m grant funding matched by £1.365m corporate borrowing which is earmarked for the Colne & Mersea Houses project. The balance of £14.5m is funded through MRA, as part of the current subsidy arrangements (to be replaced next year). The monies being carried forward from 2010/11 are departmental borrowings, and unused MRA Allocation which should only be spent on Council stock as per the subsidy guidelines and a further £2m is available through the Decent Homes Backlog bid, as supported borrowing, also to be spent on Council housing.

Of the total available £23m in resources, approximately £9.5m is already committed on existing approved schemes. The plan to spend the balance of 13.5m is per appendix 1.

There is a £26m New Build project running alongside the above mentioned schemes, funded through HCA grant £14m, and £12m from HRA borrowing. There are also plans to finance the Estate Renewals programme through borrowing which will be supported by headroom within the Housing Revenue Account.

4. Legal Issues

- 4.1 The investment programme proposed within this report can be delivered through the Council's existing Capital Works Frameworks.

5. Other Implications

5.1 Risk Management

The investment programme identified within this report will be delivered with the Council's CPMO structure for capital programmes and schemes. This is a gateway project management process that ensures all project risks are identified and mitigated before approval to contract the project is given. Failure to implement the programme of Capital Investment would result in a deterioration in our housing stock. It would also place in jeopardy the decent homes backlog funding allocation to the Council from CLG. This is the part of mitigation for Corporate Risk 14.

5.2 Contractual Issues

The investment programme proposed within this report can be delivered through the Council's existing Contractor Frameworks and will be approved within the CPMO structure set out above.

5.3 Staffing Issues

The investment programme proposed within this report will be delivered by staff within the Assets and Commercial Services Division, using existing Frameworks.

5.4 Customer Impact

Approval of the investment programme proposed within this report contributes to delivering the Council's Housing Strategy. Improving housing conditions and quality of life for people living in Council owned housing is the principle of Housing Investment activity and the schemes proposed for inclusion within this report reflect this priority.

Tenants and leaseholders will be consulted on the formulation of the Housing Asset Management Strategy through the arrangements being put in place for tenant and resident involvement. Using the findings from the consultation an Equality Impact Assessment will be carried out on the Housing Asset Management Strategy

5.5 Safeguarding Children

The investment programme proposed within this report contributes to improving housing conditions which can contribute to better educational outcomes for children living in homes benefited from the investment.

5.6 Health Issues

Approval of the investment programme proposed within this report contributes to improving housing conditions which in turn contribute to better health outcomes for residents.

5.7 Crime and Disorder Issues

The investment programme proposed within this report contributes to maintaining demand for housing within the homes benefiting from the investment; in turn this supports community sustainability. Practical investment proposals including the upgrading of lighting, replacement of windows on ground floor flats and secure door

entry systems will help reduce the opportunity for crime and disorder and in turn will result in residents feeling safer in their homes and locality.

5.8 Property / Asset Issues

The investment programme proposed within this report contributes to maintaining the economic viability of the council's housing stock and will assist in moving the housing investment programme to a planned, rather than responsive, basis which will provide better value for money.

6. Options appraisal

6.1 The investment programme identified in this report contributes to meeting the investment needs of the housing stock and reflects a comprehensive approach to addressing the investment needs of the stock.

7. Background Papers Used in the Preparation of the Report:

None

8. List of appendices:

Appendix 1 – proposed Housing Capital Investment Programme

HOUSING CAPITAL INVESTMENT PROGRAMME (PROPOSED) 20011 -12

PROJECT	2011/12 Overall Project Budget (£)
Door Entry Project 2011/12	1,575,000
Communal Lighting and Switchgear	1,050,000
External Enveloping & Fire proofing project	2,528,000
Defective Overflows works	45,000
Central Heating Installation	2,150,000
Kitchen Replacement Project	1,575,000
High Rise surveys	1,000,000
Capitalised Improvement Works (Estate & Members)	850,000
Adaptations - Adult Services element	600,000
Adaptations – Housing	200,000
Contingencies	500,000
Bathroom Replacement	500,000
Long Term Planning/Procurement Costs	300,000
Estate Improvements (Parking & Play)	350,000
New Oldmead & Bartlett (Low Water Pressure)	100,000
Capitalised Improvement Works	175,000
SUB TOTAL	13,498,000