

CABINET

24 July 2012

This report is submitted under Agenda Item 10. The Chair will be asked to decide if it can be considered at the meeting as a matter of urgency under the provisions of Section 100B(4)(b) of the Local Government Act 1972 in order not to delay the implementation of the Council's housing capital investment programme..

Title: Housing Capital Investment Programme 2012 – 2017	
Report of the Cabinet Member for Housing	
Open	For Decision
Wards Affected: All	Key Decision: yes
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Accountable Divisional Director: Ken Jones, Divisional Director Housing Strategy	
Accountable Director: Darren Henaghan, Corporate Director of Housing and Environment	
Summary: The purpose of this report is to: <ul style="list-style-type: none">• update Members on the progress of the interim housing investment programme• seek approval to form a new five year rolling programme of housing investment• update Members on an extended estate renewal programme and new build programme; the delivery arrangements of which are subject to separate reports to Cabinet	
Recommendations The Cabinet is recommended to: <ul style="list-style-type: none">(i) Note the progress made in delivering the capital investment programme as set out in Appendix 1;(ii) Agree the resource allocation for the rolling housing investment programme as set out in paragraph 3.1 in accordance with the strategic investment priorities set out in this report and in the HRA Business Plan;(iii) Agree that investment resources identified in paragraph 3.1 below may be moved	

within the strategic investment priorities to fund schemes identified within this report to make best use of resources and to take advantage of procurement opportunities as they arise;

- (iv) Agree to the development of a detailed investment programme of the schemes covering the streets set out in Appendix 2 and delegate authority to the Corporate Director of Housing and Environment, in consultation with the Cabinet Member for Housing; the Corporate Director of Finance and Resources, the Divisional Director for Legal and Democratic Services and with reference to the arrangements set out in paragraph 1.3 below, to agree terms and award relevant and appropriate contracts in respect of each scheme;
- (v) Agree to tender for suitable contractors to undertake 100% surveys of the schemes identified within Appendix 2 of this report to determine the scope and priority of works in preparation of contract procurement;
- (vi) Note that the Council has entered the Decent Homes Backlog Grant Funding Delivery Contract with the Greater London Authority as set out in this report;
- (vii) Note the extended new build programme at Appendix 3;
- (viii) To agree the serving of Initial Demolition Notices on all secure tenants in order to suspend the requirement for the Council to complete Right-to-Buy applications for as long as the Notices remain in force across the area of Gascoigne estate within the Estate Renewal Programme Areas in consultation with the Divisional Director for Legal and Democratic Services;
- (ix) To agree the acquisition of any leasehold interest in the extended Estate Renewal Programme where the owners are either willing or wanting to sell prior to the formal acquisition programme being in place and services of Compulsory Purchase Orders;
- (x) To agree to establish a budget of £2.5m to fund a programme of existing street properties purchases as set in paragraph 5.2 below and to delegate authority to the Corporate Director of Housing and Environment, in consultation with the Corporate Director of Finance and Resources, the Divisional Director for Legal and Democratic Services and the Lead Member for Housing, to agree acquisition terms; and
- (xi) Authorise the use by the Council of its compulsory purchase powers pursuant to section 17 of the Housing Act 1985 (as amended) to secure the making, confirmation and implementation of a Compulsory Purchase Order to facilitate the acquisition of any outstanding leasehold interests and delivery of the Estate Renewal Programme

Reason(s)

The Housing Capital Investment Programme assists the Council in achieving its priorities “Better future”, “Better home” and “Better health and well-being”

1. Introduction and Background

- 1.1 The purpose of this report is to inform Members on progress of the previously approved capital investment programme and to seek approval to establish a new additional rolling programme of capital schemes across the strategic housing investment themes set-out in 1.2 below.

Within the strategic housing investment themes it is proposed that resources can be moved so that effective use of resources can be maximised.

- 1.2 The table below sets out the strategic housing investment themes that were approved by Cabinet on 22 November 2011 and in the HRA Business Plan approved by Cabinet on 20 March 2012.

Decent Homes investment programme	A detailed 10 year investment programme is being developed and profiled to align with available resources. This will address the Decent Homes backlog within a 8 year period; this has been agreed with the Department for Communities and Local Government (DCLG)
Initial Estate renewal programme	A fundamental element of our investment strategy is to demolish and redevelop c1715 flats on estates that are deemed uneconomic in which to invest, to produce mixed income and tenure communities. The intention is to decant these flats over a 5 - 10 year period which will progressively release resources for investment.
New build programme	Subject to the availability of grant from GLA and other resources a programme of new Council homes will be funded from within the HRA. This will support delivery of the estate renewal programme.

Adoption of these investment themes means that the amount of disrepair and obsolescence that has built up in the stock under the former housing subsidy system can be redressed. Without this approach a disproportionate amount of resources would be absorbed through maintaining homes that are beyond their economic life - this would not represent best value.

- 1.2.1 The themes above underpin the Council's approach to developing an active asset management strategy under self-financing. This approach will help ensure the HRA remains financially sustainable and continues to meet the needs of the local community. Under self-financing we have an opportunity to redevelop uneconomic and obsolete properties and estates and to provide new affordable housing better suited to meet the needs of the community.

Within this context further analysis is being undertaken to ascertain the long-term financial and social sustainability of the stock; following this analysis further estate renewal reports will be brought to Cabinet on a scheme by scheme basis. Such proposals will be subject to a full options appraisal and viable business case to

ensure that there is no adverse impact on the financial sustainability of the Housing Revenue Account. It is likely that a variety of funding methods will need to be considered to finance such a programme because of the resource constraints within the HRA.

The following matrix approach will be used to help guide future investment decisions at both the strategic and neighbourhood level. This underpins development of the Housing Asset Management Strategy which will adopt an investment approach to future investment decisions whereby resources will only be allocated where there is an economic and social case to do so: for example, where a group of dwellings is considered socially and physically obsolescent then redevelopment options will be considered.

Residential Area	Economic case for decent homes investment	Neighbourhood As a Place to Live (public realm)	Satisfaction with QUALITY of home (built form internally & externally)	Satisfaction with CONDITION of home (internal living conditions)	Demand (connectivity, transport, schools etc)	Overall assessment
Estate or smaller area level analysis	Is there an economic case to invest in the locality or are more comprehensive redevelopment solutions more appropriate? This will also set out maximum costs for investment before disposal by sale or transfer of void property is considered.	Resident satisfaction with local physical and environmental conditions – can issues be addressed through investment?	Resident satisfaction with underlying quality of home – can decent homes investment address quality issues in the locality?	Resident satisfaction with level of repair and modernity of fittings – can decent homes investment address perceived quality issues?	Demand to live in residential area – is there evidence that people choose to live in the area; would investment address low demand issues?	Summary assessment to direct investment decisions
<i>Can these issues be addressed within a practical timescale – prioritisation issues and case for working with external partners to address resources and timescale issues</i>						

1.3 Programme and Policy Development

The HRA Business Plan provides that in due course a Board would be constituted comprising Members and Council tenants/ leaseholders which will have operational oversight of the delivery of the business plan objectives.

Prior to this being put in place and as part of the work programme of the Cabinet Member for Housing, a working party of Members and Officers has been established to have oversight of the programme required to establish the detailed investment programme and Housing Asset Management Strategy (HAMS) in accordance with the objectives of the HRA business plan and strategic investment themes set out above.

The Working Party will meet regularly over the next twelve months. Thereafter the frequency of meetings and its scope will be reviewed.

The working party will:

- have oversight of the development of the detailed investment programme in accordance with the strategic investment themes and HRA Business Plan objectives
- act as a sounding board for the development of the HRA BP and strategic investment programme themes
- act as a sounding board for consultation on the detailed investment programme through the Housing Forums

2. Investment programme 2011-12

2.1 Housing Capital Programme 2011/12

- 2.1.1 An interim capital programme was approved by Cabinet in June 2011. Procurement and delivery of the interim programme is substantially complete. Appendix 1 outlines the projects within the programme and shows progress for each scheme.

All projects that are subject to leasehold Section 20 consultation have had Leaseholder consultation stages 1 and 2 completed.

The delivery of three projects have been rolled into 2012/13: these are External Enveloping, Door Entry Installation and Capitalised Improvement works. These are anticipated to complete at the end of the second quarter of 2012/13. These projects were rolled forward due to the time required to complete statutory leasehold consultations and the impact of adverse wet weather conditions on delivering the external works involved.

- 2.2 Cabinet in November 2011 approved an additional capital programme as set out in the table below.

Investment stream	Scope	Programme budget	Progress
Decent homes/ refurbishment programme	Programme of schemes in accordance with meeting the strategic investment priorities for the retained stock as set out in paragraph 1.3	£10m	Appendix 2 sets out the scheme progress for the additional projects that were procured
Estate renewal programme	Accelerated programme of leaseholder buybacks to bring forward the regeneration of phase 2 of Gascoigne estate	£4m	It was not possible to identify suitable units for purchase in the timescales
New build programme	<ul style="list-style-type: none"> • Purchase of new homes under construction and land which would unlock development • Purchase of street properties to meet housing need and provide decant properties for the estate renewal programme. 	£10m	It was not possible to identify suitable sites/ properties for purchase within the timescale

Section A summarises the revised financial position of the HRA over the first 10 years of self-financing. The table shows that an estimated £530.8m will be available to fund the housing investment programmes over the period 2012/13 to 2021/22.

Section B sets out how the resources will be allocated between the strategic investment themes set out at 1.2 above.

It is proposed that, subject to necessary approvals, those resources be moved within the budget themes above to provide flexibility to spend resources in accordance with the HAMS priorities; deal with unforeseen factors and to take advantage of new opportunities as they arise, such as the purchase of residential units at Abbey Road Phase 1 and Marks Gate. Separate reports will be submitted to Cabinet seeking approval for the estate renewal programme and new build programmes and other initiatives where approval is required.

3.2 Decent Homes Backlog Grant

The Council successfully bid for decent homes backlog grant from the Government and was allocated £42m, of which £40m is due to be made available over the years 2012/13 to 2014/15. Release of this grant is subject to the Council's performance in delivering our decent homes programme and to future Comprehensive Spending Review settlements.

Responsibility for monitoring and delivering the decent homes backlog grant programme has passed to the GLA from the Tenants Services Authority (TSA). The GLA recently announced that grant will only be released upon satisfactory quarterly reviews and upon submission of invoices where grant will be drawn down against an agreed schedule of homes to be made decent in each quarter as set-out in the Council's decent homes backlog bid and any subsequent programme extensions agreed by the TSA.

The Council has entered a decent homes 'contract' with the GLA and funds will be released on submission of quarterly invoices with payments being made against the number of units made decent in the preceding quarter. It should be noted that if the Council is not able to deliver the committed number of homes then grant may not be paid. This would reduce the overall resources for investment and the investment programmes within this report would need to be adjusted and/or alternative funding structures adopted.

The table below sets out the timetable to which the Council is working to address the 33.6% non-decent home backlog as at the 1 April 2012.

This profile is will be subject to regular reviews.

	2012	2014	2016	2018	2020
Non-decent dwellings – Backlog bid programme	7118	5400	3600	1800	0

To further contribute to reducing the non-decency backlog a capital investment budget of £5m has been established which will fund the refurbishment of approximately 250 void properties which have not benefitted from previous investment programmes.

3.3 Investment Programme to Existing Stock Refurbishment - 2012/13

During the first twelve to 18 months the investment programme to the existing stock will be prioritised towards:

- affordable warmth, insulation and boiler replacement
- essential repairs to building fabric
- life cycle maintenance
- health and safety
- adaptations
- minor environmental works

Thereafter the investment programme will be allocated to addressing the investment standards set out in 3.4 below.. Fully refurbished properties will be moved onto a rolling planned renewal schedule, as has been adopted for the Council's new build HRA properties. Over time this is anticipated to reduce the Council's responsive repairs budget by at least 10% as we move to a planned maintenance programme which proactive as opposed to reactive maintenance system.

3.4 Investment Priorities

The following sets out the approach that has been adopted in formulating the Barking and Dagenham Investment Standard. This approach frames the formulation of investment programmes and allocation of resources between priorities across the stock in all Wards.

Investment Priorities	Comments
Elements/Homes <i>currently</i> failing the Decent Homes Standard	<p>The Council currently has approximately 6,500 properties that currently fail the Governments Decent Homes Standard (e.g. certain key and non-key elements, such as kitchens, bathrooms windows etc, are beyond their life expectancy and are regarded as being in a poor condition).</p> <p>A proportion of the cost to make these properties Decent has been funded by the Government under the Decent homes "Backlog funding" regime, which the Council receives quarterly over the next three years which totals £42million. The shortfall of circa £6m will be funded by the Council over the next eight years.</p>
Investment needed to prevent dwellings falling into non-Decency	<p>Whilst the above will ensure that currently failing properties are brought up to Decency, it is also the Council's responsibility to ensure that properties do not fall into Non-Decency in the future.</p> <p>For example elements that impact on Decent Homes must be replaced when require preventing them falling Non-Decent.</p> <p>Using the recent Stock Condition Survey the Council has identified an investment need of circa £39m over the next 5 years to spend</p>

	in this area.
Investment to Non-Decent homes Element	<p>The Decent homes Standard is very specific in encouraging investment to particular elements. However, many building element are not covered by the Decent Homes standard, such as:</p> <ul style="list-style-type: none"> • Fascias • Soffits • Porches • Fencing • Paths • Common areas <p>To ensure a holistic approach to investment the council has made provision to maintain these elements over the next 5 years on a minimum expenditure basis, where replacement will only be undertaken where there is a clear health and safety implication or an impact on wind and weather tightness. Reflecting this the Council intends to invest circa £10m over the next 5 years in these areas. Thereafter (years 6 onwards) significant expenditure will be made available to invest in these areas. (circa £47m in years 6-10)</p>
Landlord Obligation Investment	<p>In addition to the above the Council has a further responsibility to satisfy its overarching landlord obligation. Investment areas under this category include, for example:</p> <ul style="list-style-type: none"> • lift replacements • common heating systems • alarms, asbestos • fire precaution works etc. <p>The Council estimates that circa £17m will be invested in these areas over the next 5 years.</p>
Aspirational Investment	<p>The Council acknowledge that - whilst the above categories of expenditure will deliver and maintain Decent Homes throughout the Borough; ensure wind and weather tightness; all health and Safety and Landlord obligations - there is a long-term commitment to invest in additional areas to ensure the infrastructure within and around dwellings is acceptable.</p> <p>Likely areas of expenditure will be:</p> <ul style="list-style-type: none"> • Additional security • Energy conservation • General Environmental Improvements to the estates <p>To facilitate expenditure in these areas the Council has allowed £30m over the next 5 years.</p>

3.5 Scheme Selection within Wards

A key driver underpinning the establishment of investment programme is to ensure an equitable allocation of resources across the borough.

The next stage is to undertake 100% property inspections to determine the exact level of investment required within each dwelling in order to drive certainty and best

value from the investment programme. Once the 100% surveys are completed the work will be packaged up - in consultation with Members and residents - into work packages that best meet the investment needs of the stock.

Reflecting the above, we have used the existing stock condition data and in-house knowledge to select a pool of approximately 270 roads throughout the Borough, totalling c.5,000 properties that require the greatest degree of key element replacements, such as windows, roofs, kitchens, bathrooms etc. Appendix 3 sets out the indicative street level programme of investment schemes.

A 100% inspection will now be undertaken to all of these properties to specify individual work at property level to develop contract work packages which comprise renewal of some or all of the following elements:

- Roofs
- Gutters
- Fascias
- Windows
- Doors
- Fencing
- Paths
- Kitchens
- Bathrooms
- Boilers
- Electrical systems

The following table sets out the detailed process that will be followed to put together the detailed programme of works in each Ward.

1	Investment programme construction	<ul style="list-style-type: none"> • Agree general principles of investment programme (affordable warmth and insulation, essential fabric repairs and life cycle) • Agree priorities within Wards • Undertake 100% surveys of properties in agreed priority locations, including digital photographs of condition, to provide complete information for procurement of works • Construct programme at combined property/elemental level using data from 100% surveys to ensure best value procurement • Note: other methods of procurement may be trialled with framework contractors whereby the cost of surveys will be passed to contractors to demonstrate if more cost effective procurement can be delivered – this will require a step-change in the Council's commercial in-house skills.
2	Procurement of the works	<ul style="list-style-type: none"> • Based on the above information the programme put together at property and street level within each Ward • Cost estimates applied to the programmed works to ensure that programme is being delivered within the available resources for investment. • Once this process is complete a detailed 5 year plan will be in place at property/elemental at the Ward level • Procurement then takes place with the Council being in full

		<p>control because it will be “telling” the contractor exactly what work in each property will be undertaken – this gives a far greater level of control not only for the programme as a whole but also expenditure</p> <ul style="list-style-type: none"> • As the programme is delivered out-turn costs will be used to refine the programme and bring forward or delay schemes to match available resources
3	Affordability and VFM check process of tendered prices	
4	Place investment contracts	
5	<ul style="list-style-type: none"> • Contract administration, cost and quality control • Residents surveys and continuous improvement process 	

3.6 Procurement and Delivery

The Council’s existing Contractor Frameworks will be used to procure the investment programme to the existing stock. The Frameworks comprise a large value Framework, for all works, and a general contracting framework for internal works only.

The Council has also identified that small projects can potentially be delivered by the use of Small and Medium sized Enterprises (SMEs) local to the Borough. Due to the local economic benefits of employing local firms the aim is to use small contractors to deliver up to £5m of the overall annual budget by encouraging local SMEs to participate in the Council small project procurement process. It is therefore intended that advertisements will be placed on the Council’s website and also in local newspapers and which will also offer support the SME firms to build their bidding capacity. Formal procurement proposals (to comply with European Procurement requirements) will then be reported to Cabinet for approval which will propose ways on which SMEs can be encouraged and assisted to bid for the contracts. This is likely to target small local contractors able to undertake works up to a maximum of £50k in any project.

The objective of the delivery of the investment programme is to ensure that value for money is achieved on each and every project delivered by the council’s partners and that excellent customer satisfaction is maximised. The council will be undertaking quality control inspection of works in progress to ensure works are carried out to agreed standards. In addition customer satisfaction surveys will be undertaken post completion of works to ensure that there is a process of continuous improvement in the delivery of the investment programme and to address outstanding concerns of residents.

4. Options Appraisal

4.1 This report seeks approval for the following housing investment programmes that supports delivery of the HRA business plan objectives.

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 a 8 year period. The rolling programme contained in this report enables progress to be maintained in addressing the stock's investment backlog.
Estate renewal programme	A fundamental element of the investment strategy is to demolish and redevelop c1700 flats on estates that are deemed uneconomic in which to invest to produce mixed income and tenure communities. The intention is to decant these flats over a 5 year period (in line with the HRA self financing settlement): this will free resources for investment in the remaining stock. Individual estate renewal proposal will be subject to approval of a business case and options appraisal that does not adversely financially affect the HRA business plan.
New build programme	Subject to the availability of grant from GLA and/or alternative funding sources a programme of new Council homes will be funded from within the HRA which will support delivery of the estate renewal programme.

5. Estate Renewal Programme and New Build Programme

5.1 Estate Renewal

Cabinet approved a report on 8 July 2010 recommending the implementation of a programme of estate renewal across the Gascoigne (East), Goresbrook Village and Leys estates as part of the Council's Housing Asset Management Strategy. It was agreed that initially £7.1m would be set aside for progressing the programme.

Cabinet further approved on 2 November 2010 the delivery of an extended programme over four years to a value of approximately £23m to include all three Goresbrook Village, four high-rise and two low-rise blocks at Gascoigne estate as well as all flatted accommodation at Birdbrook Close and Wellington Drive (the Leys).

The Cabinet has also approved the inclusion of later phases of the Gascoigne Eastern side in the Housing Investment report in November 2011 and the inclusion of Althorne Way in the Becontree Masterplanning report on 24 April 2012.

5.2 New Build programme and purchase of private properties

The Council has embarked on a substantial programme of affordable housing new build in support of the estate renewal programme.

Appendix 3 sets out the Council's expected new build programme. Further reports will be brought to Cabinet seeking approval for the preferred delivery option once the preferred delivery options for the schemes identified are finalised.

As part of developing sustainable communities and financially viable schemes, consideration will be given to the Council producing a proportion of the new homes as Shared Ownership, Rent to Homebuy and potentially other forms of affordable housing.

It is also proposed to establish a programme of acquisitions of existing local private sector homes that are on the market (paragraph 2.2 refers to this). A sum of £2.5m will be allocated to this purpose. This will make a contribution to assisting with the estate renewal decanting process.

5.2.1 Extended new build programme

It should be noted that an extended new build programme proposals will be brought to Cabinet for approval. This will predominantly focus on addressing localised issues and development opportunities that exist on a number of relatively small infill opportunity sites.

Proposals will be developed within the context of the investment assessment framework set out in 1.2.1 above.

5.3 Right to Buy Capital Receipts and Re-Provision

Under the new RTB arrangements the Council has entered into an agreement with DCLG whereby 100% of the proceeds from RTB sales will be retained by the borough to be used solely for the re-provision of new units.

A ring-fenced account will be held within the HRA and will be allocated to support the delivery of new units.

6. Consultation

- 6.1 The lead Member for Housing will ensure wider consultation on the proposals in this report including the recently formed Housing Forums and other stakeholders and interested parties.

7. Financial Implications

Implications completed by Jo Moore, Finance Group Manager

- 7.1 In March 2012 Cabinet approved the HRA business plan which identified three streams of capital investment. The amounts included within each of these streams have now been revised and below is a comparison between the original business plan and the latest revised version.

	Original £'000	Revised £'000	(Reduction)/ Increase £'000
Investment in existing stock	389,000	338,400	(50,600)
Estate renewal programme	38,400	40,100	1,700
New build	50,100	126,900	76,800

- 7.2 The estate renewal allocation of £38.4m represented the amount needed to fully fund phase 1 and 2 decant and demolition for Goresbrook, the Leys and Gascoigne. The estate renewal programme has now been extended to cover additional smaller schemes e.g. Althorne Way.
- 7.3 The £50m new build programme was made up of £18.3m HCA grant and £31.7m of HRA resources and was originally earmarked to predominantly fund the re-provision of housing on the original estate renewal sites. Ability to draw down the HCA grant requires the completion of a number of HRA new build units by the end of March 2015 and these have been appropriately profiled in the new build programme at Appendix 3.
- 7.4 The new build programme has now been extended to £126.9m and the increase of £76.8m has been predominantly funded by the projected capital receipts of £29.6m generated under the new RTB scheme (see 7.6 below) and a reduction £50.6m in the amounts available for investment in existing stock. There is a risk that the actual capital receipts from RTB sales will be lower than those anticipated.
- 7.5 The new build programme at Appendix 3 contains some schemes which are not yet committed and therefore could be subject to change either in terms of the number and profile of units and the construction timeline. Any subsequent changes to Appendix 4 may have an impact on future net surpluses (from new rental income streams) generated and on potential build costs.
- 7.6 Since the Business Plan was approved the Government announced the reinvigoration of the Right-to-buy (RTB) scheme and the new rules require the Council to sign-up to a new housing re-provision scheme. Otherwise future capital receipts for RTB sales (over and above those projected in the self-financing settlement) would have to be surrendered to DCLG for recycling through the GLA. The Council has signed up to the new scheme and the receipts can be retained for the provision of new housing under a 30:70 contribution matching condition.
- 7.7 Although it is not a condition of the scheme that the new supply is Council owned the latest Business Plan assumes that all receipts will be used for HRA new build units. Any future changes to the new build programme need to ensure that they deliver the required amount of match funding for the re-provision conditions. Existing HCA schemes cannot be used in this respect.
- 7.8 Under the RTB rules the Council will be permitted to deduct (but not enforced to repay) from receipts any debt notionally attributed under the self-financing settlement to each unit. If the debt is not repaid then the HRA would be still be servicing debt on assets that it no longer owns. The Business Plan currently makes no provision for the repayment of debt.
- 7.9 In the original business plan the investment in existing stock amount of £389m (including full use of the contingency) represented the balance of surpluses available after application of the above investment programmes. This amount was then compared to the Savills investment needs survey and a small shortfall of £4m was identified in the business plan. Although the available resources have reduced by £50.6m to £338.4m, Savills have now revised the resource requirements

according to the new standard set and it is anticipated that this revised standard will now be fully funded.

- 7.10 Savills revised resource requirements have also allowed for an additional £30m to be added to the new build investment stream which will be available to fund other regeneration and new build schemes in the first five years.
- 7.11 The current HRA Business Plan and its ability to meet the capital investment funding requirements identified in this report is dependent on a number of variable elements underlying the projected resources. The Council has some control over these variables e.g. rent setting but does not have control over others e.g. actual RTB sales.
- 7.12 Some sensitivity analysis has been undertaken modelling various scenarios. The current Business Plan assumes rent increases at RPI + 0.5%. If rents were to only increase by RPI then the compound effect of this would be a total loss of revenue of around £20m over ten years. The Business also assumes 99% in-year rent collection performance and if this were to reduce to 96% then there would be a loss of around £3m in-year one and this amount would increase annually in line with rents.
- 7.13 There is an overall interdependency of the various elements of the Business Plan. For instance the new build programme as profiled in Appendix 3 will generate corresponding new net surpluses for the HRA. An increase in the number of RTB sales potentially gives greater capital lump sum receipts but this is offset by loss of net surpluses from those units sold. There is an overall risk, therefore, inherent in the Business Plan that actual funding available could be less than that forecast. If the new build/estate renewals programmes investment streams are committed then the reduction in funding would impact on the planned investment in existing stock.
- 7.14 The Business Plan is now being updated monthly to model the impact of changes to resources available and any of the investment streams and reported bi-monthly to the Strategic Housing Board. Alongside this it will also be important to monitor the cash flow of the HRA to ensure sufficient cash is available through the collection of rents and other income to finance the investment programme as the HRA is unable to borrow.
- 7.15 At 1 April 2012 the HRA had reserve balances of £8.3m which have not been utilised in the Business Plan and therefore represent additional resources available for investment or retention for contingencies. The HRA balances will also support the cash flow in the event that the planned investment needs to occur ahead of the collection of sufficient income,

8. Legal Implications

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 8.1 The Capital programme will be subject to the European and United Kingdom Procurement Regime and necessary compliance. Where funding is sourced from agencies such as the Housing and Community Agency funding, Agreements will need to be entered and compliance with their terms will be an additional consideration.

- 8.2 Timing of events is critical in terms of forward planning regarding allocations; serving of demolition notices and repairs;
- 8.2.1 Allocations - If Allocations are made to a property which may be demolished more than a year ahead if the tenant is not decanted within twelve months they may be entitled to a home loss payment. However if the properties are used as temporary accommodation the payment is not paid. It is therefore important to monitor the timescales of the programme to ensure accommodation is tailored to the best use of the properties;
- 8.2.2 Demolition Notices – These give notice to tenants of the Council of its intention to demolish the properties and suspends the right to buy. These Notices have a limited life span of five years which can only then be extended by the agreement of the Secretary of State it is therefore crucial they are not issued too early but if left too late in the programme it will mean that the Council may have to buy-back properties or use compulsory purchase powers:
- 8.2.3 Repairs - A further consideration is that while earmarking an estate or block for refurbishment or demolition may affect how much investment will be made in refurbishment it does not mean that repairs can be reduced while tenants are still occupying the blocks or there could be a risk of disrepairs so necessary remedial works will continue to be a liability while the accommodation is inhabited.
- 8.3 In addition there will need to be special consideration to leaseholders including formal consultation carried out with any leaseholders affected by the works to ensure recovery of costs by means of Service Charge. Where they will be displaced the preferred route will be by negotiation for buy-back but as a last resort Compulsory Purchase powers may need to be exercised.
- 8.4 The report states that the projects will be procured in the main using the Council's Construction Framework contracts which have been EU procured and smaller projects, whilst being targeted at SMEs, will be procured in compliance with EU procurement regime. Officers will need to take advice from the Legal Practice in the procurement of these projects to ensure full legal compliance.

9. Other Implications

- 9.1 **Risk Management** - The investment programme identified within this report will be delivered with the Council's CPMO structure for capital programmes and scheme. This is a gateway project management process that ensures all project risks are identified and mitigated before approval to contract the project is given.
- 9.2 **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.
- 9.3 **Staffing Issues** - The investment programme proposed within this report will be delivered by staff within Finance and Resources.
- 9.4 **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 and scheme selection through the arrangements being put in place for tenant and resident involvement.

- 9.5 **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.
- 9.6 **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.
- 9.7 **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.
- 9.8 **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.

Background Papers Used in the Preparation of the Report:

Additional Housing Capital Programme report to Cabinet on 22 November 2012
Housing Strategy and HRA Business Plan report to Cabinet on in the HRA
Business Plan on 20 March 2012.

List of appendices:

Appendix 1: Housing Capital Programme update (schemes approved June 2011)
Appendix 2: Proposed 100% survey programme for Housing Capital Programme 2012/13
Appendix 3: Anticipated new build programme 2012 - 2022