

Leicester
City Council

WARDS AFFECTED
All Wards

HOUSING MANAGEMENT BOARD
HOUSING SCRUTINY COMMITTEE
CABINET
COUNCIL

12th JANUARY 2004
15th JANUARY 2004
19th JANUARY 2004
29th JANUARY 2004

HOUSING CAPITAL PROGRAMME 2003/04 and 2004/07

Report of the Corporate Director of Housing and Chief Finance Officer

1. PURPOSE OF REPORT

- 1.1 This report advises Members on the position at period 7 on this years capital programme, revises the forecast for the 2003/4 out-turn and proposes a three year housing capital programme for 2004-7, for Members approval.

2. SUMMARY AND RECOMMENDATIONS

- 2.1 This report reviews the current years approved, Housing Capital Programme and, following receipt of the Single Capital Pot, recommends a programme for 2004/2007.
- 2.2 The Housing Capital Programme, if approved, will invest just under £100m in Leicester homes over the next three years. It will significantly support the Environmental Strategic Objective, Part G, of the Council's Corporate Plan, as well as enhancing education by providing more, better and warmer homes for families and their children.
- 2.3 The **Housing Scrutiny Committee** is recommended to consider the report, including any feedback from the Housing Management Board, and to pass on any comments to Cabinet.
- 2.4 The **Cabinet** is asked to consider the report and any comments from the Housing Scrutiny Committee and recommend Council to:-
- (i) approve the revised programme, outlined at Appendix 1, for 2003/2004 and funding arrangements outlined in paragraph 4.2 of the Supporting Information, and authorize the Head of Legal Services to enter into any contracts necessary to maximize the spend against the revised programme;
 - (ii) approve the resources shown in Appendix 2 of the Supporting Information, including the use of £200k from Housing Maintenance DSO Profits, £1m from Housing Balances and £6m from utilizing the Prudential Framework to support the Housing Capital Programme in each of 2004/2005, 2005/2006 and 2006/2007;

- (iii) approve the Housing Capital Programme for 2004/2007 outlined at Appendix 3 including a small level (3.5%) of overprogramming, and delegate authority to the Corporate Director of Housing in consultation with the Cabinet Link Member for Housing to authorize any contracts, and the Head of Legal Services to sign any contracts within the overall programme, to achieve a maximum spend against the resources available;
- (iv) note that the 2004/05 Programme will be reviewed during the financial year and particularly, following the result of the Stock Options Appraisal, and the 2005/07 Programmes will be subject to further ratification as part of the normal annual budget cycles; and
- (v) delegate, to the Corporate Director of Housing and Cabinet Link for Housing, authority to approve bids from Community Associations under the 'CRI' allocation.

3. FINANCIAL IMPLICATIONS (Danny McGrath)

3.1 The current years programme shows a revised spend of £26.509m, which is below the estimated resources available. This is as a direct result of a massive rise in Right to Buy receipts in the current year, which has exceeded all expectations. However, this 'surplus' will be rolled forward and used to meet slippage from the current years programme, where it occurs, and help tackle the Decent Homes Standard in the public sector, next financial year.

3.2 Officers have put together a three year capital strategy for 2004/7, which shows the following:

	<u>2004/5</u>	<u>2005/6</u>	<u>2006/7</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Resources	35695	32416	30390
Programme	36990	33592	31492
Less Overprogramming	<u>1295</u>	<u>1176</u>	<u>1102</u>
Net Spend Programme	35695	32416	30390

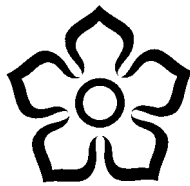
3.3 In putting together the overall capital programme a small amount of over programming (3.5%), has been included in the figures for Members' approval. In developing this programme officers have included an amount of £6m in each of the following three years, 2004/5, 2005/6 and 2006/7, by utilisation of the Prudential Borrowing Ratio Framework, which is a new opportunity introduced this year, for the first time, by Government.

3.4 Should Members endorse the use of the Prudential Borrowing Ratio Framework they need to appreciate that the Council will get no help from Government in meeting the revenue costs involved, and the costs associated with this loan (£500k in 2004/5, £1m in 2005/6 & £1.5m in 2006/7 and future years) will be a direct charge on the HRA. However, despite utilizing this resource from revenue to support the Housing Capital Programme, it will still leave the HRA with in excess of the minimum reserve agreed by the Council. The implication of the charge is included in the HRA Revenue budget, which is elsewhere on this agenda; that report also identifies the Prudential

indicators recommended by the Chief Financial Officer and demonstrates that the costs is affordable and sustainable.

DECISION STATUS

Key Decision	Yes
Reason	Part of the Budget and Policy Framework
Appeared in Forward Plan	Yes
Executive or Council Decision	Council



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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Housing Scrutiny Committee
Cabinet

15th January 2004
19th January 2004

HOUSING CAPITAL PROGRAMME 2003/04 and 2004/07

SUPPORTING INFORMATION

1. THE 2003/2004 PROGRAMME

- 1.1 In October the Committee received a report on the situation at that time. The revised programme totalled £25.440m. Since then, it has become clear that the level of usable capital receipts this year will be considerably more than estimated. This has resulted from a high number of RTB sales and also the increase in house prices generally.

In view of this, the Corporate Director of Housing has agreed, in consultation with the Cabinet Link Member for Housing, to allocate £1m for the following priority spending needs:

	£
Disabled facilities grants	200,000
Conversion of ex-warden accommodation	100,000
Environmental works in Humberstone Renewal Area	50,000
MHC Bungalows	100,000
Central heating	250,000
Boiler replacement	200,000
Rewiring	<u>100,000</u>
	<u>£1,000,000</u>

In addition, certain schemes, which have their own earmarked funds, have been added to the programme giving a revised programme of £26.711m. This is detailed at Appendix 1 for Members approval.

2. **Actual Expenditure to the End of October 2003.**

2.1 The actual expenditure to the end of October is £13.624m and again this is detailed in Appendix 1.

2.2 This equates to 51% of the revised programme.

3. **Progress on Schemes.**

3.1 Since the last report, the most significant change in the forecast of expenditure is the Beaumont Leys Core Area Redesign. There is unlikely to be significant expenditure in this financial year as preparatory work and discussion on alternative ways of delivering the scheme are still being explored. Provision will be made for this scheme to slip into 2004/05.

4. **Resources**

4.1 Resources are estimated to be available to fund the whole of the current programme and any slippage into 2004/5. If the picture changes further during the year, this will be considered jointly by the Corporate Director and the Cabinet Link Member for Housing.

4.2 It is now estimated that resources to fund the 2003/2004 will be as follows:

	<u>Previous Estimated Resources</u> £000	<u>Revised Estimated Resources</u> £000
<u>HIP ALLOCATION</u>		
Housing (ACG)	6883*	6883*
Major Repairs Allowance	12743**	12743**
Specified Capital Grant (SCG)	549	549
Single Capital Pot Allocation	500	500
	-----	-----
	20675	20675
<u>Plus Capital Receipts</u>		
Capital Receipts B/F	551	551
Sale of Council Assets - Property and Land	4106	5100
<u>Plus Revenue Contributions to Capital Outlay (RCCO)</u>		
Use of Housing DSO Profits	0	0
LT Replacement Fund	273	273
HRA Balances	500	0
STAR Reserves	0	56
Commutated Sum	0	125
<u>Plus Unsupported Credit Approval for replacement Local Taxation System</u>		
Additional borrowing from Government	447	447
<u>Plus SCA</u>		
Additional Credit Approval for HB DIP System	131	131
	-----	-----
	26683	27358

*This represents 80% of the Housing ACG within the Single Capital Pot

** Government now allocate resources, previously in capital, directly to the HRA via the MRA

4.3 The latest updated programme, outlined at Appendix 1, shows an estimated spend of £26.509 million, which is below the resources available by £849k. These resources will be carried forward to meet slippage and used to supplement work towards the Decent Homes Standard.

5. THE 2004/2005 PROGRAMME

5.1 This is the third year of the Single Capital Pot and despite pressure on the Council's Capital Programme Cabinet is recommended to agree the following resources for housing.

<u>HIP ALLOCATION/SINGLE CAPITAL POT</u>	<u>2003/2004</u> <u>Anticipated</u> <u>Resources</u> <u>£000</u>	<u>2004/2005</u> <u>Estimated</u> <u>Resources</u> <u>£000</u>
Housing (ACG)/Single Capital Pot	6883*	5710*
Major Repairs Allowance (MRA)	12743**	12724**
Private Sector Renewal	0	792
Specified Capital Grant (SCG)	549	550#
Single Capital Pot Allocation	500	750
	-----	-----
	20675	20526
 <u>Plus Capital Receipts</u>		
Capital Receipts B/F	551	849
Sale of Council Assets - Property and Land	5100	4000
 <u>Plus Revenue Contributions to Capital Outlay (RCCO)</u>		
Use of Housing DSO Profits	0	200
Use of Housing Balances	0	1000
Use of DSO Reserves	0	320
Use of LT Replacement Fund	273	0
Use of STAR Reserves	56	0
Commutated Sum	125	0
 <u>Plus Unsupported Credit Approval</u>		
Additional borrowing from Government for LT System	447	0
Prudential Borrowing Framework	0	6000
 <u>Plus SCA</u>		
Additional Credit Approval for HB DIP System	131	0
RSU Allocation for MDC	0	2000
NRF Funding	0	800
	-----	-----
	27358	35695

* This represents 80% of the Housing ACG within the Single Capital Pot

** Government now allocate resources, previously in capital, directly to the HRA via the MRA.

Estimate, as final figure will not be known until late January/February 2004

5.2 In putting together the draft programme the Council was faced with a reduction of almost £1.465m in the HIP Allocation from the Regional Housing Board, although the Council did win additional support of £792k for its Private Sector Renewal activity. This cut was particularly disappointing given the Government's target of reaching the decent homes standard in the public sector by 2010. However, the Government has introduced the Prudential Borrowing Framework for the first time this year, which allows councils to borrow against future revenue streams. Although there is always an element of

uncertainty of ongoing revenue resources, officers believe that an ongoing revenue commitment can be undertaken following a large increase in Management and Maintenance Allowances, which would allow Members to borrow a further £6m to support the Housing Capital Programme in each of the financial years 2004/5, 2005/6 and 2006/7 and be used to move closer to the Decent Homes Standard. If adopted this would add £500k to revenue costs in 2004/5, £1m in 2005/6 and £1.5m in 2006/7 and in future years. The reason why use of the Prudential Framework has been phased over three years, is first, to ensure that we do not overheat the local building industry in any one year, second, to give Members the opportunity to change policy in the future if the revenue situation changes for the worse and third, to minimise commitments until the results of the Stock Options Appraisal is known. Nevertheless, there is a possibility that the Government could withdraw the Prudential Borrowing Framework facility in the future so it is important that the Council takes advantage of the opportunity when it is available.

- 5.3 The estimated level of resources shown above would result in the draft programme outlined at Appendix 2. In putting the programme together officers have allowed for a small amount of over programming (3.5%) to ensure all resources available are used. In addition, it has been assumed that the Council will confirm the Housing allocation of £750,000 from the Single Capital Pot, although Members should note that the previous administration decided at the March 2003 Cabinet meeting to incorporate this sum within the Risk Strategy for the Cultural Quarter, which would mean it being deleted if this project hit funding difficulties. If the resources were deleted from the Housing Capital Programme then the following schemes in the draft programme would not proceed, to offset the costs involved:

£100k for Kitchen and Bathroom modernisations,
£135k for Renovation and Home Repair Grants in the Private Sector
£300k for St Peters Tower Blocks – Replacement of Windows
£215k for MHC Bungalows Eyres Monsell

- 5.4 The use of housing allocations allows the Council to tackle disadvantage and target resources to overcome inequality. This has been taken into account in developing the programme. Officers have also made a provision of £600k, within the programme, for the development of new affordable housing in the City combined with the Empty Homes Strategy. This is as a direct result of the Housing Needs Survey, which showed an overall annual shortfall in social housing of 600+ units per year.
- 5.5 Although this report is about the allocation of resources, Members will appreciate that a number of the schemes proposed could have crime and disorder, equality and environmental implications. In putting the programme together, officers have been conscious of the opportunity that major investment offers in tackling these major issues and, therefore, schemes such as the uPVC Window and Door Replacement Programme, replacement of Central Heating Boilers, provision of Door Entry Systems, Life time bathrooms, DFG's and Disabled Adaptations, Environmental Works and many more, have been included.
- 5.6 Officers have been advised that the resources available to fund Disabled Facilities Grants (DFG's), will not be known until late January/early February at the earliest. At this stage we have assumed that the Government will replicate last year's allocation,

which will give the Council an SCA of c£550k. If this is not the case then it is proposed that any shortfall be managed from within the overall programme, as in previous years. Members should also note that there is currently a backlog of c£1.6m worth of work for Disabled Facilities Grants and officers have therefore increased the provision, within the draft programme, by 54%, from £1.3m to £2m, in 2004/5 and 2005/6 and by £200k in 2006/7 to tackle the backlog in this particular area.

- 5.7 In considering the draft programme outlined at Appendix 3 for next financial year, Members' attention is particularly drawn to the following provision:

£10.700 million for replacing Windows and Doors with uPVC Double Glazed Units,
£7.000 million for Kitchen and Bathroom modernisations,
£1.800 million for rewiring properties,
£3.500 million for replacing old inefficient boilers,
£180,000 for Environmental Budgets for Community Associations,
£500,000 for 'CRI' type initiatives from the new Community Associations,
£3.000million for Disabled Adaptations and Disabled Facilities Grants (this is over six times the amount expected to be made available by the Government for tackling disadvantage in peoples' homes),
£250,000 for improvements in sheltered housing schemes,
£2.000 million for the MDC,
£250,000 for re-roofing/reguttering properties,
£600,000 for Purchasing Empty Homes and developing New Affordable Housing; and
£2.942 million for Renovation and Home Repair Grants in the Private Sector.

- 5.8 Members will no doubt recall that, following extensive consultation with tenants' representatives across the City, the old Housing Committee agreed a basis for allocating resources previously approved under the Capital Receipt Initiative at its June 1998 meeting.

- 5.9 It is recommended that a sum of £500,000 be set aside next year for those schemes that the Community Associations identify as having the highest priority within their area next year, on top of the £180,000 for the Environmental Budgets, which are under the direct control of the Community Associations.

- 5.10 In addition, Cabinet may want to confirm the ground rules to assist Community Associations in deciding which bids would be supported. The, criteria used in previous years is that schemes will be measured against and must achieve at least **two** of the following, to qualify for support, ie

1. Safeguard the Council's assets.
2. Reduce ongoing revenue costs.
3. Stimulate employment/the economy within the City (i.e. jobs and training).
4. Improve the lettability of the Council's housing stock.
5. Tackle disadvantage.

6. Improve security of properties and estates (i.e. help combat crime).

5.11 In addition, they **must**:

- only require a capital injection (ie have no ongoing revenue costs);
- directly benefit local inhabitants;
- improve the quality of life for local people;
- reinforce the value of housing improvements being undertaken;
- achieve good value for money; and
- complement the Government's wider policy objectives of Welfare to Work and Social Exclusion.

5.12 Given that there are always more bids than resources available under this heading, it is recommended that the above be used again and authority be delegated to the Corporate Director of Housing in consultation with the Cabinet Link for Housing to approve the bids.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications associated with this report.

7. OTHER IMPLICATIONS

	Yes/No	
Equal Opportunities	yes	Paras 5.3 and 5.6
Policy	Yes	Para 5.2
Sustainable & Environmental	Yes	Paras 5.4 and 5.6
Crime & Disorder	Yes	Paras 5.4 and 5.6
Human Rights Act	No	

8. AIMS AND OBJECTIVES OF THE HOUSING DEPARTMENT

8.1 This report meets the Committee's overall Quality of Life Aim for the Department 'A decent home within the reach of every citizen of Leicester', and within that Key Objective 1 - To improve the condition of Leicester's housing stock and resolve unfitness in all sectors.

9. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

9.1 Background Papers

a) Capital Programme Booklet 2003/04

- b) Joint report of the Corporate Director of Housing and the Chief Finance Officer on Capital Programme 2002/03 and 2003/04 to Housing Scrutiny Committee on 9th January 2003 and Cabinet on 27th January 2003.
- c) Joint report of the Corporate Director of Housing and the Chief Finance Officer on the Capital Programme Outturn 2002/03 to Cabinet on 4th August 2003 and Housing Scrutiny Committee on 21st August 2003.
- d) Joint report of the Corporate Director of Housing and the Chief Finance Officer on Capital Monitoring 2003/04 to the Housing Scrutiny Committee on 9th October 2003 and Cabinet on 13th October 2003.

10. CONSULTATION

- 10.1 All departments have been consulted through Directors' Board. The Housing Scrutiny Committee and Housing Management Board have also been consulted as part of the formal consultative procedures.

11. Report Author

Dave Pate – Ext. 6801