Derby City Council

ADULTS, HEALTH AND HOUSING COMMISSION
23 January 2012

ITEM 9

Report of the Strategic Directors – Adults, Health and Housing and Resources

HOUSING CAPITAL PROGRAMME 2012/13 – 2014/15

SUMMARY

1.1 On-going Capital Resources for Private Sector housing have been almost eliminated following the last Comprehensive Spending Review. As a result, a very limited Private Sector Programme is again proposed based on known and anticipated resources. The resources available for the Public Sector Programme are now much more certain following the release of the Housing Revenue Account draft self financing settlement. The Public Sector Programme is therefore based on draft figures, although these are not expected to be greatly different from the final figures issued at the end of January 2012.

RECOMMENDATION

2.1 To invite the commission to comment on the proposed Housing Capital Programme for 2012/13 to 2014/15

SUPPORTING INFORMATION

3.1 **Private Sector Housing**

The Private Sector Housing Capital programme is based on a much reduced level of resources for 2012/13 and subsequent years when compared with previous allocations. The fall in these resources is due to:

- cessation of capital grant from the Regional Housing Group
- cessation of contributions from Group Repair schemes
- reduced receipts from Right to Buys

3.2 **Regional Housing Group Grant – Supported Capital Expenditure – SCEC**

Following the last Comprehensive Spending Review allocations for Private Sector Housing were ended. No further resources, other than the Disabled Facilities Grant, have been made available for 2012/13 and foreseeable subsequent years. This means that only a very limited private sector programme can be planned using existing and anticipated resources.

Existing resources will allow the continuation of DASH and Hi4em for up to a further year and financing of the private sector Community Energy Savings Programme - CESP. There is also sufficient funding to enable a small core Empty Homes/Compulsory Purchase Programme and some Minor Works Assistance for a further 3 years. However, sustainment of future year's programmes will depend on loan repayments for the Empty Homes Programme, anticipated right to buy receipts and use of all the remaining capital reserves.

An allocation of around £0.7m is expected to be received to part fund Disabled Facilities Grants - DFGs. In addition a successful bid for £0.7m was also made for corporate funds to support this scheme.

3.3 **Right to Buy Receipts**

In recent years the numbers of right to buy sales - RTB - has fallen dramatically. In 2007/2008 RTB sales were 83 generating some £1.1 million of useable receipts. By 2010/11 sales had fallen to 18 generating approximately £0.3m in useable receipts. As these receipts are used to support the Private Sector capital programme this has resulted in a further reduction in resources available.

There is a great deal of uncertainty around future RTB levels due to proposed changes to the level of discounts available to tenants. The government have recently announced that they would like to increase discounts available to potential buyers to encourage a greater take-up of RTB. A consultation paper has been launched which suggests that the maximum discount available could be increased from £24,000 to £50,000. For Derby it would effectively mean that there was no maximum cash level – all houses would get a 50% discount whilst flats would get a 70% discount. Clearly this could prove very attractive to some tenants who may then exercise their right to buy thus leading to increased sales.

However, the government have also indicated that the first call on any additional resources resulting from increased RTB (over and above those that were already expected under the old rules – i.e. before any change to the discount level) should be used first to redeem debt within the HRA and then to part fund one for one replacement of stock sold as a result of RTB. Clearly this makes the forecasting of potential future RTB receipts very difficult. For the purposes of this report no receipts have been assumed over and above those that we could have reasonably expected under the old rules - that is around £0.2m per annum.

3.4 Other Resources

Due to the dramatic decline in other housing capital resources, a successful bid was made for corporate resources of £0.7 million a year to continue to support Disabled Facilities Grants – DFG's. These grants have, in the past, been funded by Specified Government Grant, Right to Buy Receipts and on occasion Supported Capital Expenditure Capital grants. The Specified Government Grant is again expected for 2012/13 – estimated at £0.7 million, however, as previously noted other resources normally used for this purpose have either ended or significantly reduced. It is therefore anticipated that the DFG element of the programme will be funded as follows:

Corporate Funding	£0.7 million
Specified Capital Grant	£0.7 million
Useable Capital Receipts	£0.2 million
Total Spend	**£1.6 million**

No assumption has been made about any future corporate bid and therefore the DFG programme beyond 2012/13 is shown at the level sustainable by the Specified Gant of £0.7m together with anticipated Useable Capital Receipts of £0.2m only

It should be noted however that spending at this level could lead to backlogs, extended waiting lists and moratoriums and ultimately to ombudsman's complaints and to judicial review as we would not be complying with the requirements of the Local Government and Housing Act 1989.

Other resources available to the programme include: the Major Repairs Allowance – MRA – provided for the refurbishment of Council Housing, external contributions – CESP – mainly for insulation works, and other revenue contributions – all within the Public Sector programme.

3.5 **Total available resources**

The next table summaries all projected resources available for the three years 2012/13 to 2014/15 and the latest position for the current financial year 2011/2012:

Funding available	**2011/12** **£000**	**2012/13** **£000**	**2013/14** **£000**	**2014/15** **£000**
Supported Capital Expenditure (Capital) – Brought Forward from previous years	530	457	0	0
Supported Capital Expenditure (Capital) – HI4EM and DASH	466	372	0	0
Total Supported Capital Expenditure	**996**	**829**	**0**	**0**
Useable Capital Receipts *	200	365	509	200
Other Contributions *	722	0	190	428
CESP	270	130	0	0
Service Reserve – PFI Scheme	433	0	0	0
Corporate Funding	1000	700	0	0
Disabled Facilities Grant *	700	700	700	700
S106 Contributions	540	0	0	0
Land Sale	335	0	0	0
Empty Home Loan repayments	0	265	51	22
Government Grant	1,208	0	0	0
Total Private Sector	**6,404**	**2,989**	**1,450**	**1,350**
Major Repairs Reserve	8,882	10,656	9,820	10,019
Borrowing	12,600	2,898	1,226	0
HRA revenue	0	0	0	4,262
Right to Buy Receipts	0	421	548	466
Government Grant	300	0	0	2,500
Other Contributions	0			
Total Public Sector	**21,782**	**13,975**	**11,594**	**17,247**
Total Housing capital resources	**28,186**	**16,964**	**13,044**	**18,597**

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3.6 **Spending Plans**

The total projected funded programme in 2012/2013 is £16.964 million. The overall programme consists of the Private Sector, totalling £2.989 million, and the Public Sector, totalling £13.975 million. Details are shown at Appendix 2.

3.7 **Private Sector Programme**

In recent years, the Private Sector programme has been able to address a wide range of housing related issues including; achieving decent homes for vulnerable people, improving the private rented sector, and Area Renewal activity, most recently in the Rose Hill area. However, due to the cessation of grant and diminishing other resources, the programme for 2012/13 and beyond has no more of these schemes proposed. Disabled facilities Grants, which are mandatory grants, is the largest scheme but dependent on £0.7million corporate funding at the level proposed. Other initiatives within the programme which will continue on a reduced basis in 2012/13 are Empty Homes Assistance/CPO work and Minor Works Assistance.

3.8 **Disabled Facilities Grants**

Grant-aided adaptations to private sector dwellings for the benefit of disabled occupants are directly funded by government grant. The Specified Capital Grant – SCG - to support the Disabled Facilities Grant – DFG – is estimated at £0.7 million for 2012/13. A successful bid has been made for corporate funding of £0.7 million plus a further £0.2 million of useable capital receipts from Right to Buy sales of council houses, bringing the proposed spend to £1.6m

As stated previously, no assumptions have been made about future corporate funding but clearly to maintain the programme at £1.6m in future years will mean that further corporate support will be required. The alternative is to scale back the very limited programme that is proposed within this report which in turn would mean cutting back on the Empty Homes/CPO programme. The problem with this is the potential impact on the new homes bonus the Council receives as the work to bring empty properties back into use is crucial to maximising the bonus.

3.9 Empty Homes Assistance

Empty homes have been identified by the Coalition Government as a major national concern, and are considered an important wasted resource across the political spectrum as well as by Housing and Economic experts.

There are currently around 3700 empty homes in Derby, and their reoccupation would provide an increase in the number of affordable homes within the City at a time of continued housing need.

In addition, the Governments New Homes Bonus scheme includes re-occupied empty homes in bonus payment calculations. This presents an important and useful source of potential income generation for the Council, over and above the debt recovery that the Empty Homes Service continues to contribute towards.

Monies would be allocated in two ways to ensure maximum benefit. Firstly as a recyclable loan pot, offered to owners of empty homes to facilitate the required improvements and reoccupation of the property where this would not otherwise have been viable.

Secondly, monies would be allocated to enable the continuation of compulsory acquisition of the most neglected houses in the City, addressing issues of anti-social behaviour, community complaint and urban blight in the process. This serves to reduce continuing costs and officer time incurred in addressing such problems. Compulsory purchase also offers a solution where owners are untraceable serves as a warning and deterrent to otherwise uncooperative owners and is also the last resort of the City Councils' Empty Homes Strategy.

Costs will be funded in 2012/13 through existing resources. Funding from 2013/14 onwards will be via loan repayments and any resources remaining in-hand.

3.10 **Facilitation Fund**

The Facilitation Fund was created to provide financing to enable schemes such as affordable housing developments to be undertaken in conjunction with or by a partner organisation, usually a Housing Association, rather than direct provision by the Council. The Fund has been financed through shares of housing land sales, s106 monies and in the past from the main private sector capital programme. All these sources of income have reduced significantly in the last few years. Use of the fund has been limited both in 2009/10 and 2010/11 due to a lack of useable receipts and pressure on mainstream funding. At present only a limited amount of s.106 monies are available for affordable housing and any proposals for the use of these resources will be reported separately.

3.11 **Other Schemes**

Other Schemes proposed include:

- CESP – Community Energy Savings Project – funded by existing resources over the two years 2011/12 and 2012/13. The total cost of the scheme is £530k over two years including £60k a year capitalised salaries to deliver the programme
- Minor Works Assistance – funded in 2011/12 by existing resources and in 2012/13 and beyond by resources in hand.

A fuller description of all activities in the private sector housing capital programme, together with the amounts proposed for each scheme in 2011/12 – 2012/13, is given in Appendix 3.

3.12 **Public Sector Housing Programme**

The public sector programme is delivered for the Council by Derby Homes Limited and is concerned with the repair and refurbishment of council housing and their surroundings throughout the city.

With the advent of Self Financing within the HRA, the resources available for the Public Sector Programme for 2012/13 onwards have changed significantly. From April 2012 the HRA will retain all of the rents that it generates and will no longer be required to pay over any assumed surpluses to the government. In return for these financial freedoms the HRA is able to use its resources more freely to fund capital expenditure.

Investment priorities have changed significantly over the past eight years. In 2002 the investment backlog in the housing stock stood at over £90m, this was eliminated by the Decent home investment.

Since the completion of the Decent Homes programme, the focus has been on replacing old worn out components across pre-war estates whilst at the same time completing a programme to fit Upvc double glazing across the stock and replacement heating systems.

The ninth Investment Conference in July gave an opportunity to consult with tenants and leaseholders on investment priorities under the new funding arrangements. These were supplemented by an open invitation to tenants to submit their views on this issue. It is clear that a robust plan is needed to maintain the stock to a high standard, ensuring the viability of the business plan and confidence that the housing stock will remain 'in demand' to secure the rental income. The outcome of that consultation was that a set of investment standards were agreed and these standards are set out in appendix 3

A detailed 5 year investment plan is set out appendix 4 This plan will enable the following:

- completion of replacement kitchen and bathroom work to all pre-war Homes
- completion of the Upvc window programme
- Continuation of the programme to improve the energy efficiency of homes, insulating any uninsulated cavity walls and lofts, providing modern efficient heating systems to all homes and installing solar panels to as many homes as we possibly can utilising external funding incentives while the business case continues to support the investment.
- Maintaining a healthy programme of specialist equipment renewal, such as door entry systems and lifts.
- The following programme is proposed for the next five years for the core of the programme. This is substantially lower than previous years as the majority of programmes have been completed or are nearing completion. The major bulge in work will be for kitchens and bathrooms in around 15 to 20 years time as Home Pride work (2002-6) needs replacing. For the next few years, therefore, significantly lower capital will be necessary.

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The new element is a potential new build programme, which has been divided into two parts – a partial Right to Buy replacement programme and a key projects programme. The government's proposals relating to the Right to Buy make this element hard to quantify, as the detailed rules have not yet been published. At this stage therefore the figures are highly reliant on such detail. It may be therefore that more or less building might finally be possible than has been assumed at this stage – 10 properties a year to replace 60 losses are assumed for this version of the plan, starting in two years time once plans have been drawn up and progressed. It should be stressed that many assumptions about the new scheme have been made and any final decision on this programme will have to study the detailed proposals more carefully first. The commitment to at least cover the debt loss first of any increase in RTB sales is welcome, although retention of all the receipts locally with a commitment to new build would be far preferable.

The key projects will also require formal approval of other funding and detailed approvals, so are similarly at an early stage of development. The reason for their inclusion as an outline programme without formal approval is that both would use up considerable portions of the debt cap and this element of the plan needs to be understood as part of overall long term planning. Their inclusion does not mean that the Council is as yet committed to the projects, but sets aside borrowing capacity for their potential inclusion once details have been agreed. Should projects not be approved that would open up possible debt capacity for other projects. In effect, the HRA is being rationed in terms of capital investment and this area will need to be considered in more detail as the new system develops

A fuller description of all activities in the Public Sector Programme, together with the amounts proposed for each scheme in 2012/13 – 2016/17, is given in Appendix 4.

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Background papers:	Private Sector Renewal Indicative Allocations
List of appendices:	Appendix 1 – Implications Appendix 2 – Details of funded scheme costs Appendix 3 – Private Sector Housing capital scheme details 2012/13 Appendix 4 – Public Sector Housing capital scheme details 2012/13

IMPLICATIONS

Financial

1.1 As set out in the report. Capital costs that are supported will be funded from grant – SCE(C). Other capital funding is available from useable capital receipts, revenue contributions and external contributions.

Legal

2.1 Under Section 114 of the Local Government and Housing Act 1989, Disabled Facilities Grants must be approved by the Council when the grants will facilitate or improve certain purposes such as access, preparation and cooking of food and provision or modification of heating, lighting and power. If the council does not meet the demand for these types of grant then complaints to the Ombudsman and Judicial review are possible.

Personnel

3.1 The estimated costs of delivering the programme have been included.

Equalities Impact

4.1 Private sector schemes are mainly concerned with improvements to secure housing, environmental and socio-economic improvements in deprived inner city areas. Schemes in both sectors include improvements to housing for the vulnerable, including disabled and older people, enabling them to live independent lives.

Corporate objectives and priorities for change

5.1 The proposals are intended to be consistent with corporate objectives and priorities.