



DERBY CITY COUNCIL

**COMMUNITY COMMISSION
11 FEBRUARY 2010**

ITEM 9A

Report of the Corporate Director – Corporate
and Adult Services

HOUSING CAPITAL PROGRAMME 2010/11 – 2012/13

SUMMARY

- 1.1 Capital Resources for Housing have been severely reduced in the new financial year. Proposals to deal with a much reduced programme are considered, and comments invited on the proposed strategy. **Please note** this is the same documentation as submitted to the meeting held on 19 January when consideration was deferred until today

RECOMMENDATION

- 2.1 To comment and approve the proposed Housing Capital Programme for 2010/11 to 2012/13.

SUPPORTING INFORMATION

3.1 Private Sector

The Private Sector Housing Capital programme is based on a much reduced level of resources for 2010/11 and subsequent years when compared with current allocations. The fall in these resources is due to:

- Reduced capital grant from the Regional Housing Group
- End of Rose Hill Market Renewal funding
- Reduced contributions from Group Repair schemes
- Reduced receipts from Right to Buys

3.2 Regional Housing Group Grant – Supported Capital Expenditure – SCEC

The total provisional budget for the East Midlands region for Private Sector Renewal is some 30% less than the current year and stands at £20.4 million. This reduction is due largely to the Government's decision to redirect 2010/11 Private Sector Renewal funding to fund the Housing Pledge. The distribution to individual authorities is now based on a formulaic approach based on an assessment of need. Our indicative share of the allocation for 2010/11 of £1.36 million was notified to us in October 2009.

This compares with £2.2 million that we currently receive – a fall of around 40%.

Future allocations beyond 2010/11 are unknown at this stage. The fall in funding for Derby next year is greater than the regional average due to the formulaic approach which takes into account previously reported achievements. This results in a perceived relative lack of need in the City as a result of previous bidding successes and better outcomes. The provisional allocations initially notified by the Regional Housing Group was dependent on authorities confirming to the Regional Housing Group that:

- a) the full allocation can be spent and what will be delivered
- b) authorities are on target to spend the 2009/10 allocations
- c) whether authorities wish to have their allocations paid to another partner within the relevant HMA for alternative distribution.

However, the Regional Housing Group has since been notified that a local authority in the region will not require its full indicative allocation. As a consequence and due to representations made to the Group, Derby's indicative allocation has been increased by £132k to £1.492million. A final decision on the allocations is expected early in the New Year.

In addition to the core allocations, further allocations have been made to continue the HI4EM and DASH projects as well as the Research and Sub Regional Working Pot. The combined allocation for these projects is £0.785 million.

Table 1 below summarises the expected supported capital allocations for 2010/2011 along with 2009/2010 shown for comparison:

Table 1 – Supported Capital Allocations

Housing Allocations	2010/11 £000	2009/10 £000
Supported Capital Expenditure (Capital) – General	1,492	2,290
Supported Capital Expenditure (Capital) – HI4EM and DASH	785	700
Total Supported Capital Expenditure	2,277	3,000
Specified Capital Grant - DFG	700*	669

* estimate

3.3 Rosehill Funding

In 2006/2007 a bid was made for resources for the Rose Hill Market Renewal Pilot. The bid was successful with the Council being awarded £11 Million for the project. Over the last 4 years, the Rose Hill area of the City has seen significant investment in projects such as:

Group Repair Schemes covering approximately 1300 dwellings

Decent Homes works in respect of 605 dwellings

Environmental Improvement Schemes

Highway improvements

This activity has done much to turn the area around and mitigate the issues of low demand for which the pilot funding was originally awarded.

However, this one off funding is now coming to an end and no further Government funding will be made available to continue this work in Rose Hill for the foreseeable future.

3.4 Group Repair Contributions

The ending of the Rosehill funding will impact on the level of Group Repair activity possible. In 2008/2009, around £2.5 million was spent on Group Repair Schemes generating around £0.4 million in Group Repair owner contributions. This has fallen to approximately £1.5 million in 2009/2010 with estimated contributions being £0.2 million. These contributions are recycled into the Private Sector Housing capital programme. As activity levels fall then so do the contributions available to the capital programme.

3.5 Right to Buy Receipts

Derby, like many other areas nationwide, has seen a dramatic fall in the number of Right to buy sales. Whilst from a stock retention perspective this is good news, it does leave a problem in terms of capital funding, as the useable element of any sale receipts (25%) are recycled into the Private Sector Housing capital programme – specifically Disabled Facilities Grants.

In 2007/2008 Right to buy sales were 83 generating some £1.1 million of useable receipts. In 2008/2009 sales fell to eight generating some £0.14 million of useable receipts. Sales to date for 2009/2010 stand slightly higher at 12 with an estimated 15 in total for 2010/2011 generating approximately £0.2 million of useable capital receipts – a fall in resources of £0.9 million compared to 2007/2008.

3.6 Other Resources

Due to the dramatic decline in other housing capital resources, a bid has been made for corporate resources of £0.5 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 2010/11 – estimated at £0.7 million, however, as previously noted both Right to Buy Receipts and SCE C allocations are much reduced when compared to previous years. The level of expenditure on DFG's is approximately £1.4 million per year. This is in line with a recommendation by the Community Commission back in 2004/05. The Private Sector programme for 2010/11 and beyond has been constructed on the basis of the corporate bid being successful and it is anticipated that the DFG element of the programme will be funded as follows:

Corporate Funding	£0.5 million
Specified Capital Grant	£0.7 million
SCE C	£0.2 million

If the bid was not successful then further reductions in other areas of the programme, e.g. Group Repair would be necessary if we were to maintain spend on DFG's at the level recommended by the Commission.

A reduction in main SCE C allocation was anticipated for 2010/11 – albeit not at the scale of reduction now being experienced. As a consequence, around £1.9 million of previous capital resources have been carried over from the current financial year to enable a smoother tailing off of the Private Sector programme over the next three years.

Other resources available to the programme include: the Major Repairs Allowance – MRA – provided for the refurbishment of Council Housing, external contributions – British Gas – mainly for insulation works, fee Income – generated by group repair activity and revenue contributions – all within the Public Sector programme.

3.7 Total available resources

Table 2 summaries all projected resources available for the three years 2010/10 to 2012/13 and a preliminary annual estimate for future years:

Table 2 – Resources Available

Funding available	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Supported Capital Expenditure (Capital) – In Year Allocation	2,290	1,492	1,360*	1,360*
Supported Capital Expenditure (Capital) – Brought Forward from previous years	4,750	1,300	600	0
Supported Capital Expenditure (Capital) – HI4EM and DASH	710	785	0	0
Total Supported Capital Expenditure	7,750	3,577	1,960	1,360
Useable Capital Receipts *	766	200	200	200
Fee Income *	300	170	140	110
Other Contributions *	288	330	240	150
Growth Points	250	0	0	0
Corporate Funding	0	500	500	500
Disabled Facilities Grant *	669	700	700	700
Government Grants	4,325	0	0	0
Total Private Sector	14,348	5,477	3,740	3,020
Major Repairs Allowance *	7,614	8,273	8,232	8,439
HRA revenue				
- heating	1,600	1,150	0	0
- Other	1,500	3,000	0	0
- Estates Pride	2,650	2,450	1,159	0
Other Contributions	148	147	148	151
Total Public Sector	13,512	15,020	9,539	8,590
Total Housing capital resources	27,860	20,497	13,279	11,610

* estimated

Note: 2009/10 included for comparison.

3.8 Spending Plans

The total projected funded programme in 2010/2011 is £20.497 million. The overall programme consists of the Private Sector, totalling £5.477 million, and the Public Sector, totalling £15.02 million. Details are shown at Appendix 2.

3.9 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. Indeed area based improvement programmes, in particular Group Repair Schemes, have been the bedrock of the Council's housing renewal policies over the past 15 or more years and have done much to reverse decline in the City's older housing stock at minimal overall cost. However, due to the greatly reduced grant and other resources, the programme this year has been prioritised with a focus on 3 main areas namely; Compulsory Purchase Properties, Group Repair Schemes and Disabled facilities Grants. Other initiatives within the programme which will continue in 2010/2011 are Empty Homes Assistance and Minor Works Assistance.

3.10 Compulsory Purchase Order

As part of the Hartington Street Renewal Area, the Council has made a Compulsory Purchase Order for the acquisition of 6 properties. The Order was taken to Local Public Inquiry, following which it was formally confirmed by the Secretary of State. Negotiations are now at a very advanced stage toward ensuring that these properties soon pass onto responsible ownership.

It should be noted that the progress of this particular CPO has been unusually protracted and difficult - these issues are not, and will not be applicable to all CPOs. The properties of this Order were high profile, some in occupation and poorly managed, and all of which presented significant issues within the Hartington Street Renewal Area. The overall situation was such that it has always been the aim that these properties be passed on to guaranteed responsible ownership.

3.11 Rose Hill – Area Renewal

The maintenance of a Group Repair programme will be necessary in order to meet at least existing commitments within the Rose Hill Market Renewal Area. The outcome of the corporate bidding process referred to in paragraph 3.12 below will then determine the extent to which further Group Repair Schemes or other area based activity may be carried out in those parts of the area, particularly around the former Baseball Ground, where no improvements have yet been made.

Beyond Rose Hill, it is not envisaged that at the funding levels now projected that Group Repair Schemes and hence the Council's long established Area renewal Programme, will be sustainable in the future.

3.12 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 2010/11. It is proposed to continue the established practice of recent years to provide for total expenditure of £1.4 million in 2010/11 and beyond in recognition of the continuing demand for these types of adaptation and to reflect previous recommendations of Community Commission. This practice will require further funding of £0.7 million to supplement the SCG.

Two options exist for the source of this funding. The first will be the corporate bid of £0.5 million mentioned above plus a further £0.2 million of the General SCE (C) allocation. With this option the DFG programme will be maintained at the recommended level and a significant – but considerably reduced – Group Repair programme will be possible. The advantage of this is that the Group Repair programme can tail off over a 3 year period enabling a more managed reduction to a smaller programme. In addition, contributions from the Group Repair schemes will continue to recycle into the overall programme over the 3 year period.

The second option is that the corporate bid is unsuccessful. If this was the case, then either DFG spending would have to be reduced or, if we were to maintain DFG expenditure at the recommended level, substantial cuts to other planned expenditure will be required. In reality this would probably mean the Group Repair programme. To rebalance the budget, the reduction required would be £0.6 million in 2010/11, £0.7 million in 2011/12 and £0.76 million in 2012/13 resulting in no Group Repair programme by this date. In addition, Group Repair contributions would also be falling resulting in even fewer resources available.

Clearly a successful corporate bid would have a major impact on the course of the Private Sector programme over the next three years. If the bid is successful then a group repair programme can be maintained, albeit a reducing one and DFG's can be maintained at the required level. If the bid is unsuccessful then either the Group Repair programme will reduce to zero over three years or a difficult decision will have to be made around the level of DFG spend possible.

3.13 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 2008/09 and 2009/10 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 proposals for the use of these resources will be reported separately.

A fuller description of all activities in the private sector housing capital programme, together with the amounts proposed for each scheme in 2010/11 – 2012/13, is given in Appendix 3.

3.14 Public Sector 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.

Resources available for the Public Sector Programme in 2010/11 include the Major Repairs Allowance – MRA – of £8.273 million and Revenue Contributions for financing both the main programme and the Estates Pride Programme – £6.60 million. The public sector lost SCE(R) of £1m a year from 2008/09, this applied to all authorities who achieved decency for their dwelling stock. This funding was used mainly to finance disabled adaptations in council housing and its loss has impacted on other areas of the public sector programme. In the short-term other resources – revenue contributions funded from HRA reserves – have had to be found to bridge the gap. The longer-term funding position for the Public Sector is somewhat uncertain at this stage. The early indications from the review of Council Housing Finance, offer some real hope of significant investment into the Council's Housing stock. However, until an offer is made assumptions around available resources are based on the existing system of financing.

The Public Sector programme proposed for 2010/11 totals £15.020 million including capital elements of Estates Pride. Significant capital expenditure totalling £5.197 million has so far been committed or spent on various schemes including improved street lighting, reconfiguration of Osmaston Park, works at Sussex Circus and, Sunny Hill Community Centre, allocations to local housing boards and general estate based improvements. Proposals for 2010/11 include further Environmental Improvements - £1.7 million and further allocations to Local Housing Boards and Housing Focus Group – total £300,000. A full breakdown of the programme is shown at Appendix 5.

In March this year Cabinet approved the use of £4.3 million of HRA reserves to accelerate the Storage Heater replacement programme and to improve insulation standards in around 200 properties. This work has been spread over two years – 2009/10 and 2010/11. The programme therefore includes the following to complete this work:

- Acceleration of Storage Heater replacement programme £1.5 million
- Insulation improvements £1.7 million

Other priorities continue to be concerned with completion of the PVCu windows and doors programme – £1.8 million next year and £0.5million thereafter. Around £2.4 million a year has been provided for replacement kitchens and bathrooms for properties mainly on pre-war estates, but also including those post-war homes where tenants refused their installation during the Homes Pride Programme. The re-modelling of Rebecca House and Exeter House will be funded entirely by a contribution from the HRA following the production of a revised specification.

Other activities in the Public Sector Programme include adaptations to properties occupied by disabled tenants – £0.7 million, electrical upgrades – £0.6 million and increasing, one-off major refurbishments and alterations – over £0.5 million and other relatively small scale repair and improvement works.

Effectively the public sector programme is being boosted in the short term by additional resources coming from the HRA reserves. Spending of over £5m a year in both 2009/10 and 2010/11 is funded from this source, before reducing in the future as the benefits of Round 1 ALMO funding are removed.

A more detailed description of all activities in the Public Sector Programme, together with the amounts proposed for each scheme in 2010/11 – 2012/13, 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 2010/11
Appendix 4 – Public Sector Housing capital scheme details 2010/11
Appendix 5 – Estates Pride Environmental Improvements 2010/11

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 There are no direct legal implications

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.

Scheme	Source of Funding	2009/10 £000	Cost				
			2010/11 £000	2011/11 £000	2011/12 £000	Future £000	Total cost £000
Housing Revenue Account							
Kitchens and Bathrooms - post war	MRA	500	500	500	500	500	2,000
Kitchens and Bathrooms - pre war	MRA	1,800	1,900	1,700	1,700	1,700	7,000
Electrical Upgrades	MRA	500	600	750	900	900	3,150
Re-roofing	MRA	200	900	900	900	900	3,600
Major Refurbishments/Alterations	MRA	500	600	550	550	550	2,250
PVCu Windows & high security doors	MRA	2,480	1,800	500	500	500	3,300
Storage Heater Replacement	RCCO	1,800	1,500	0	0	0	1,500
Central Heating	MRA	600	650	1,500	1,600	1,600	5,350
Replacement of Smoke Alarms	MRA	200	250	250	250	250	1,000
Door Entry Systems - communal	MRA	200	200	200	160	160	720
Fire Precautions	RCCO	160	0	0	0	0	0
Capitalised Salaries	MRA	710	720	730	730	730	2,910
Adaptations for Disabled People	RCCO	462	700	700	700	700	2,800
Insulation Improvements	RCCO/CONT	300	1,700	100	100	100	2,000
Estates Pride	RCCO	2,650	2,450	1,159	0	0	3,609
Rebecca House	RCCO	250	300	0	0	0	300
Exeter House	RCCO	200	250	0	0	0	250
Total Housing Revenue Account		13,512	15,020	9,539	8,590	8,590	41,739
Housing General Fund - with Corporate Funds to Support DFG programme							
Acquisition/Demolition of Unfit Properties	SCE - C	400	700	200	200	200	1,300
DASH	SCE - C	296	385	0	0	0	385
Hi4EM	SCE - C	298	400	0	0	0	400
Rosehill (includes an element of group repair)	SCE - c	2,201	0	0	0	0	0
Group Repair Programme	SCE - C	0	1,792	1,350	730	730	0
Decent Homes/Assistance to Vulnerable Householders	SCE - C	1,889	0	0	0	0	0
Regional Loan Fund Pilot	SCE - C	500	0	0	0	0	0
Housing Needs Challenge Fund	SCE - C	250	0	0	0	0	0
Empty Property Assistance	SCE - C	250	100	100	0	0	200
Disabled Facilities Grants	DFG/CORP/ SCE-C	1,400	1,400	1,400	1,400	1,400	5,600
Minor Repairs Grants	SCE - C	250	250	250	250	250	1,000
Handy Person Scheme	SCE - C	40	0	0	0	0	0
Landlord Accreditation Assistance	SCE - C	75	0	0	0	0	0
Capitalised Salaries	SCE - C/FEES	670	450	440	440	440	1,770
PFI Scheme	CAP RECEIPTS/CONT	954	0	0	0	0	0
Facilitation Fund	CONT	0	0	0	0	0	0
Affordable Housing	CORP	250	0	0	0	0	0
Regional Housing Board	SCE-C	700	0	0	0	0	0
Careleavers Accomodation	CONTRI/RECEIPTS	425	0	0	0	0	0
Gypsy and Travellers Site	GOV GRANT	1,400	0	0	0	0	0
Tomlinson Court	GOV GRANT	2,100	0	0	0	0	0
Total Housing General Fund		14,348	5,477	3,740	3,020	3,020	10,655
Grand Total		27,860	20,497	13,279	11,610	11,610	52,394

Scheme Title	2010/11 £'000	2011/12 £'000	2012/13 £'000	Detail
Housing Private Sector				
Acquisition/Demolition of Unfit Properties	700	200	200	Acquisition and making safe of single dwellings together with payments to previously untraceable recipients of Compulsory Purchase Orders.
DASH	385	-	-	The Decent And Safe Homes Scheme - DASH - is a regionally based scheme initially set up to provide training to landlords across the region on the requirements of the housing act 2004 and now concentrating on the development of regional landlord accreditation schemes.
Hi4EM	400	-	-	Housing intelligence for the East Midlands - Hi4EM - is a data mapping project and the development of a website for monitoring of progress on achieving decent homes targets.
Group Repair Programme	1,792	1,350	730	Block improvement works to various properties within the city.
Empty Property Assistance	100	100	-	Empty Property Assistance provides loan funding for the refurbishment and return to use of long term, dilapidated empty properties. It is generally only available to new, or potential new owners of such properties where renovation without aid would not be viable.
Disabled Facilities Grants	1,400	1,400	1,400	Grant aided adaptations to private sector dwellings for the benefit of disabled occupants. Programme delivered in conjunction with Social Services as part of Care in the Community.
Minor Repairs Grants	250	250	250	Grant aided repairs improvements to dwellings occupied by older low-income homeowners to enable them to stay put.
Capitalised Salaries	450	440	440	Charging to the capital programme the salaries of the staff directly involved in the development and implementation of private sector housing programmes.
Facilitation Fund	-	-	-	First created in the early 1990s following the government's desire for councils to take an enabling role rather than direct provision. It has been used to help finance a number of affordable housing schemes, mainly in partnership with Housing Associations, for example a self-build scheme at Sinfin, the provision of new homes at Bedford Street and schemes to provide additional affordable housing at Mickleover, Radbourne Gate, and Littleover, Heatherton. No further schemes are proposed for 2010/11 at this stage.
Total	5,477	3,740	3,020	

Scheme Title	2010/11 £'000	2011/12 £'000	2012/13 £'000	Detail
Housing Public Sector				
Kitchens and Bathrooms - post war	500	500	500	Installation of new kitchens and bathrooms in post-war homes, mainly where a previous tenant declined the work under the Homes Pride programme
Kitchens and Bathrooms - pre war	1,900	1,700	1,700	Installation of new kitchens and bathrooms in pre-war estates
Electrical Upgrades	600	750	900	Upgrades to electrical systems to meet safety requirements, including some rewires
Re-roofing	900	900	900	Replacement roof coverings to older homes
Major Refurbishments/Alterations	600	550	550	Major capital works to modernise, refurbish, convert or extend homes, usually on a one-off basis while vacant and not part of any large programme or area scheme.
PVCu Windows & high security doors	1,800	500	500	Installation of PVCu double glazed windows and some high security external doors
Storage Heater Replacement	1,500	-	-	Installation of energy efficient gas central heating systems in homes to replace electric storage heating systems.
Gas Central Heating	650	1,500	1,600	Installation of energy efficient gas central heating systems in homes that lack a heating system or the replacement of old, inefficient heating systems.
Replacement of Smoke Alarms	250	250	250	Installation of replacement smoke alarms
Door Entry Systems - communal	200	200	160	Replacement of communal door entry systems at supported living schemes and flats.
Capitalised Salaries	720	730	730	Capitalisation of salaries of staff involved in the development/implementation of public sector housing programmes.
Adaptations for disabled People	700	700	700	Adaptations to the homes of disabled people to enable them to live independently and avoid the need for residential or hospital care.
Insulation Improvements	1,700	100	100	Insulating homes with funding provided by British Gas
Estates Pride	2,450	1,159	-	5/6 year estate improvement programme to include works such as tree planting, landscaping, street lighting and parking improvements.
Rebecca House	300	-	-	Re-modelling and refurbishment of sheltered scheme.
Exeter House	250			Re-modelling and refurbishment scheme.
Total	15,020	9,539	8,590	

K = ERDF