



DERBY CITY COUNCIL

**ADULTS, HEALTH and HOUSING
COMMISSION
24 January 2011**

ITEM 9

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

HOUSING CAPITAL PROGRAMME 2011/12 – 2013/14

SUMMARY

- 1.1 Capital Resources for Private Sector housing have been almost eliminated for the new financial year and the foreseeable future following the Government's Comprehensive Spending Review. A reduced Private Sector Programme is proposed based on known and anticipated resources. The Public Sector Programme continues for another year at a relatively high level due to the continuation of the Major Repairs Allowance – MRA – in 2011/12 and direct revenue funding. Future years for the public sector are less certain due to HRA reform and the elimination of the MRA. For the purposes of forecasting, the MRA has been assumed to continue in the future years.

RECOMMENDATION

- 2.1 To invite the commission to comment on the proposed Housing Capital Programme for 2012/13 to 2013/14

SUPPORTING INFORMATION

3.1 Background

This year's capital programme for 2011/12 – 2013/14 has been developed using a different approach to previous years. In the past the major service blocks (Education, Transport and Health and Housing) have been allocated government funding through the Single Capital Pot and the Council has allowed them to keep this allocation for use on their service blocks.

Due to government cuts and the ever increasing corporate priorities the single pot allocations totalling £12,098m for 2011/12 have been pooled and Education and Transport have been allocated a percentage of this pot (amounting to £3m for highways and integrated transport per year and £5,417m for schools a year).

Housing have retained the DFG funding of £700k as well as ring fenced MRA funding for the HRA which is not included in the single pot.

The rest of the single pot allocation has been made available for a council wide bidding process which has been scored by the Strategic Asset Management Group and will form part of the consultation process to agree the schemes to be taken forward as part of the 2011/12 – 2013/14 capital programme. Indicative allocations for 2012/13 and 2013/14 of £12,107m have been used for the single pot in order that a 3 year programme can be developed.

In addition to the single pot allocations all schemes which are on the current 2010/11 -2012/13 capital programme have been reviewed according to their status. Of these projects £10m will be slipped to 2011/12 for schemes that have got their own ring fenced funding but aren't currently contractually committed. £3.6m has also been identified for projects that haven't been contractually committed and are funding streams which could potentially be used to fund other corporate priorities.

3.2 Private Sector Housing

The Private Sector Housing Capital programme is based on a much reduced level of resources for 2011/12 and subsequent years when compared with current 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

3.3 Regional Housing Group Grant – Supported Capital Expenditure – SCEC

There is no allocation for 2011/12 and foreseeable subsequent years following the Comprehensive Spending Review in October. 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. Funds previously made available for a regional loan fund pilot scheme with 3 other authorities in the region to provide loans for property repair and improvement where commercial finance is not available will now be used to fund CESP. Cabinet has approved the use of £190k housing s.106 contributions to help fund the Acquisition of Unfit Dwellings in the current year, releasing SCE – C to fund improvements in 2011/12 at the Park Homes site at Shelton Lock. Funding is also available for the Housing PFI scheme in the current year with a carry over to 2011/12. There is also sufficient funding to enable an Empty Homes Programme and some Minor Works Assistance for a further year. Sustainment of future years programmes will depend on loan repayments for the Empty Homes Programme plus some corporate funding should the current cessation of housing allocations continue.

3.4 An allocation of around £700,000 is expected to be received to fund Disabled Facilities Grants - DFGs. A bid for £1m has been made for corporate funds to support this scheme. The programme is constructed assuming that the bid will be successful.

The table below summarises the expected supported capital allocations for 2011/2012 with those in 2010/2011 also shown for comparison:

Housing Allocations	2011/12 £000	2010/11 £000
Supported Capital Expenditure (Capital) – General	0	1,492
Supported Capital Expenditure (Capital) – HI4EM and DASH	0	785
Total Supported Capital Expenditure	0	2,277
Specified Capital Grant - DFG	700*	675

* estimate

3.5 Group Repair Contributions

Group Repair activity ceased in 2010/11 due to the anticipated shortage of funding in 2011/12 and future years. In 2008/2009, around £2.5 million was spent on Group Repair Schemes generating around £0.4 million in Group Repair owner contributions. This fell to approximately £1.5 million in 2009/2010 with estimated contributions being £0.2 million. Following further reduced activity in 2010/11 no contributions are expected to be available to be recycled into the Private Sector Housing capital programme for 2011/12 and future years.

3.6 Right to Buy Receipts

Derby, like many other areas nationwide, has seen a dramatic fall in the number of Right to buy sales. This trend is continuing and causes 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 for 2009/2010 were slightly higher at 12 dwellings, sales for 2010/2011 are estimated at 15 generating approximately £0.2 million of useable capital receipts and again at 15 in 2011/12 generating around £0.2 million useable capital receipts – a fall in resources of £0.9 million compared to as recently as 2007/2008.

3.7 Other Resources

Due to the dramatic decline in other housing capital resources, a bid has been made for corporate resources of £1.0 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 2011/12 – 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 current 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, although underlying demand is now £1.9 million a year including delivery of the programme. The Private Sector programme for 2011/12 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	£1.0 million
Specified Capital Grant	£0.7 million
Useable Capital Receipts	£0.2 million

If the bid was not successful then it will not be possible to make significant reductions in other areas of the programme and it may not be possible to maintain spend on DFG's at the level recommended some years ago by Community Commission, which is below the current underlying level of demand of £1.9 million. This 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.

A reduction in main SCE C allocation was anticipated for 2011/12 – albeit not at the scale of reduction now being experienced. As a consequence, around £0.9 million of previous capital resources have been carried over from the current financial year to enable a much reduced Private Sector programme over the next year. Future years programmes are further reduced and remain very uncertain. It is likely that substantial corporate funding will be needed to maintain the programme at the levels proposed, in the absence of any Regional allocation. The future years' programmes have been constructed on the assumption that corporate funding will be available.

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.

3.8 Total available resources

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

Funding available	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000
Supported Capital Expenditure (Capital) – In Year Allocation	2,792	0	0	0
Supported Capital Expenditure (Capital) – Brought Forward from previous years	332	310	0	0
Supported Capital Expenditure (Capital) – HI4EM and DASH	555	855	0	0
Total Supported Capital Expenditure	3,679	1,165	0	0
Useable Capital Receipts *	407	200	200	200
Fee Income *	170	0	0	0
Other Contributions *	409	974	40	40
CESP	0	300	200	0
Service Reserve – PFI Scheme	700	218	0	0
Corporate Funding	243	1,000	1,500	1500
Disabled Facilities Grant *	675	700	700	700
Government Grants	425	1,416	0	0
Total Private Sector	6,708	5,973	2,640	2,440
Major Repairs Allowance *	7,349	7,307	8,280	8,395
Government Grant	1,650	300	0	0
HRA revenue	1,000	2,323	0	0
- heating and insulation	350	2,650	0	0
- solar panels	1,720	2,500	1,250	750
- other	1,690	2,040	1,379	0
- Estates Pride	1,650	300	0	0
- Council New Build	200	0	0	0
- Loan for ALMO New Build	183	0	0	0
Other Contributions				
Total Public Sector	15,792	17,420	10,909	9,145
Total Housing capital resources	22,500	23,393	13,549	11,585

* estimated

Note: 2010/11 included for comparison.

3.9 Spending Plans

The total projected funded programme in 2011/2012 is £22.753 million. The overall programme consists of the Private Sector, totalling £5.973 million, and the Public Sector, totalling £17.420 million. Details are shown at Appendix 2.

3.10 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. These 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 cessation of grant and diminishing other resources, the programme for 2011/12 has no more of these schemes proposed. Disabled facilities Grants, which are mandatory grants, is the largest scheme but dependent on £1 million corporate funding at the level proposed. Other initiatives within the programme which will continue on a reduced basis in 2011/12 are Empty Homes Assistance and Minor Works Assistance. One-off schemes such as the Travellers site are also included.

3.11 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 2011/12. In 2004/05 Community Commission recommended that at least £1.4m should be spent on these types of grant however underlying demand is now £1.9m including capitalised salaries of £90k to deliver the programme. This higher level of expenditure is proposed for 2011/12 and future years. This practice will require further funding of £1.2 million to supplement the SCG.

Options are limited for this source of this funding. A bid has been made for corporate funding of £1.0 million plus a further £0.2 million of useable capital receipts from Right to Buy sales of council houses. With this option the DFG programme will be maintained at the current level of demand.

The other option is that the corporate bid is unsuccessful. If this was the case, then DFG spending would have to be reduced – there is little scope to maintain DFG expenditure at the required level, as cuts to other planned expenditure will be more problematic. In reality this would probably mean that a programme of DFGs higher than the anticipated £700k grant funding but considerably less than the £1.9m underlying demand for these types of grant. Realistically a programme of up to £1.4m might be possible in 2011/12 by reducing expenditure on Empty Homes and the Travellers Site, falling to around £0.9m in 2012/13 and future years, when such reductions would no longer be possible.

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 DFG's can be maintained at the required level. If the bid is unsuccessful then a difficult decision will need to be made around the level of DFG spend possible in 2011/12. In future years only about £0.9m a year spend will be possible given current resource projections.

3.12 Empty Homes Assistance

Empty Homes are a major national concern, considered an important wasted resource across the political spectrum as well as by Housing and Economic Experts.

There are currently over 4,000 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, with the introduction of the New Homes Bonus to include re-occupied empty homes in bonus payment calculations, re-occupation will also present an important and useful source of potential income generation for the Council, over and above the debt recovery that the empty homes service has previously contributed to.

Monies would be allocated in two ways to ensure maximum benefit. Firstly as a recyclable loan pot, offered to new owners of empty homes to facilitate the required improvements to return empty homes to the beneficial housing stock where this would not otherwise be viable. Secondly, 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, thereby reducing 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 2011/12 through existing resources. Funding from 2012/13 onwards will be via loan repayments and any assumed corporate funding.

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 any proposals for the use of these resources will be reported separately.

3.14 Other Schemes

Other Schemes proposed include:

- the acquisition and conversion of land to provide a site for Travellers. This scheme is funded mainly by Government Grant
- 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 assumed corporate funding
- Improvements at Park Homes Mobile Homes Site – approved by Cabinet in November 2010 and funded by existing capital resources. Negotiations with residents are to take place for them to agree to a charge of £2 a week to help fund the improvements.

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.

3.15 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.

Resources available for the Public Sector Programme in 2011/12 include the Major Repairs Allowance – MRA – of £7.307 million and Revenue Contributions for financing both the main programme and the Estates Pride Programme – £9.513 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 2011/12 totals £17.420 million including £1.140 million capital elements of Estates Pride. Significant capital expenditure on Estates Pride totalling £6.827 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 2011/12 include improvements at Harvey Road - £0.50 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.

Further use of £3 million reserves was approved in February 2010 allowing the installation of photo-voltaic cells on at least 300 Council properties. This is a two year programme costing £0.35 million in 2010/11 and £2.650 million in 2011/12 to complete the programme. Under the feed-in tariff system – fits – the electricity company pays the Council a guaranteed amount per kilowatt of electricity generated for 25 years. After allowing for maintenance and paying the original cost of the scheme, this is expected to generate a profit over time. In the short term the income can be used for the installation of additional photo-voltaic cells or other investment in the Council's stock. The electricity generated is used at no cost to the tenants of these properties and any surplus generated will be sold into the national grid system, for which the Council will receive further income.

Other priorities continue to be concerned with completion of the PVCu windows and doors programme – £1.0 million next year and £1.0 million thereafter. Around £3.0 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. In 2011/12 £3 million has been provided for replacement central heating systems and £1.8million a year thereafter.

Other activities in the Public Sector Programme include adaptations to properties occupied by disabled tenants – £0.7 million, re-roofing – £0.5 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. In 2009/10 a total of £4.3 million was spent mainly on Estates Pride, Storage Heater Replacement and new Central Heating Systems. In 2010/11 a total of around £3 million is projected including adaptations, re-modelling of Exeter House and Rebecca House and Insulation and Heating. Spending of over £9m in 2011/12 is coming from this source, before reducing in the future as the benefits of Round 1 ALMO funding are removed.

The Public Sector Programme also includes New Build to be undertaken the Council in 2011/12 – six dwellings at St David's Close. This new build is funded half by Government Grant and half from HRA reserves. The majority of Council New Build took place in 2010/11 at sites on Cowsley Road and Elton Road, a total of 42 new dwellings. In addition, in 2010/11, there was some ALMO New Build of 10 dwelling at sites in Sinfin, Chaddesden, Allenton and Littleover. The total cost of this New Build was around £580,000 funded Government Grant of £380,000 and a loan from the Council of £200,000. This loan will be repaid in 2011/12.

A fuller 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 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.