



Appendix B

Cabinet

29th January 2020

Item

Report of	Assistant Director for Place and Client Services	Authors: Darren Brown ☎ 282891 Clare Lawrance ☎ 282506
Title	Housing Investment Programme (HIP) 2020/21	
Wards affected	All	

This report concerns the Housing Investment Programme for 2020/21

1. Executive Summary

- 1.1 This report sets out a summary of the proposed allocation of **£26.663million** of new resources to the Housing Investment Programme for 2020/21, along with the sources of funding. It also includes at Appendix A an indication of the potential expenditure requirements and funding sources for the years 2021/22 to 2024/25.

2. Recommended Decision

- 2.1 To approve the Housing Investment Programme for 2020/21.
- 2.2 To note the Capital Medium Term Financial Forecast (CMTFF) set out at Appendix A.

3. Reasons for Decision

- 3.1 Each year as part of the process to agree the Council's revenue and capital estimates the Cabinet is required to agree the allocations to the Housing Stock Investment Programme. These allow for work to be undertaken to maintain, improve, and refurbish the housing stock and its environment.
- 3.2 Members annually agree to accept a proposed 5 year Housing Investment Programme (HIP) in principle as the framework for procuring housing related planned works, improvements, responsive and void works and cyclical maintenance.
- 3.3 The proposed investment programme is linked to the Asset Management Strategy (AMS) and reviewed annually in the light of available resources and for each annual allocation to be brought to Cabinet for approval as part of the overall HIP report.
- 3.4 The Colchester Borough Homes (CBH) Board have considered the content of the Cabinet report submitted and is now seeking approval for the 2020/21 Capital programme.
- 3.5 This report seeks the release of funds under grouped headings as described in the AMS and supported by the Management Agreement dated 9th August 2013, which governs the contractual relationship between Colchester Borough Council (CBC) and CBH.

4. Supporting Information

Key Issues for 2020/21

- 4.1 This is the ninth year of HRA Self-Financing, and the continued investment in the housing stock and other projects is reflected in this report.
- 4.2 This report is considered as part of agreeing the Housing Revenue Account (HRA) estimates as the funding for the HIP, which covers capital investment in the housing stock, is very much linked to the overall level of resources for housing.

5. Funding the Housing Investment Programme

- 5.1 2020/21 is the ninth year of the HRA self-financing regime. This fundamentally changed the way in which Council Housing is financed, and as a consequence a financial model for the HRA has been developed, which forecasts the HRA and HIP for each of the next 30 years, using a range of assumptions on areas such as inflation, stock numbers, future expenditure & income levels etc. This is considered further in the 2020/21 HRA Estimates report elsewhere on the agenda. The source of resources, and the priority order in which it is assumed they will be used to fund capital expenditure in the 2020/21 HIP budget and financial forecasts are as follows;

- Specific Areas of Finance (e.g. Grants),
- Capital Receipts,
- Major Repairs Reserve (Depreciation),
- Revenue contributions to capital (RCCO),
- New Additional Borrowing

- 5.2 The assumption made when prioritising resources to fund the HIP is that resources specifically designated to the programme will be used first, followed by capital receipts. This is so the receipts can be re-invested in affordable housing, and be retained locally and not be clawed back by Central Government under the capital receipts pooling arrangements. The next form of resource to be used is the Major Repairs Reserve, which is the reserve that is built up from the depreciation charge to the HRA. This is the resource that is set aside to maintain the housing stock in its current form & condition. If there are insufficient resources within the Major Repairs Reserve to fund all of the capital works in the year, then the next call on funding is revenue. The amount of this resource will depend on the level of balances within the HRA and the extent to which they are directed to the HIP, as opposed to other budget priorities.

- 5.3 Finally, should there be insufficient revenue resources to fund the overall programme the assumption is that the Council will undertake HRA borrowing to fully fund the HIP. This is assumed to be the lowest priority source of funding, to minimise the resultant additional interest costs that would be incurred by the HRA. Further borrowing will be undertaken following the prudential borrowing code, which states that it must be affordable. Should the Council decide it does not want to undertake additional HRA borrowing or use revenue resources etc, then the Council would need to re-consider the programme of works proposed and the corresponding budget provision. This could include foregoing works, or re-profiling the year in which they are undertaken.

6. 2020/21 Programme of Works

- 6.1 The requested budget allocation for the 2020/21 programme is £26.663million. A further breakdown of the areas of work that are planned to be undertaken is shown at paragraph 9.

- 6.2 As part of the management agreement which commenced in August 2013 between the Council and CBH, the management fee was expanded to reflect the wider range of services CBH now provides on behalf of the Council, so it incorporates the fee for managing the capital programme. Members are therefore asked to note that the requested budget allocation in paragraph 6.1, and the budget sums included in paragraph 9 and Appendix A all include the fee for managing the capital programme, which for 2020/21 totals £1,371,700. A further breakdown of the management fee is included in the HRA Revenue Estimates report elsewhere on the agenda.
- 6.3 Cabinet, at its meeting in January 2019, considered proposals for new projects using HRA borrowing, such as re-commencing new build plans and increasing Council housing stock through acquisitions. These proposals continue to be reflected in the Housing Investment Programme, with further information provided in the following paragraphs.

7. HRA Capital Medium Term Financial Forecast - 2020/21 to 2024/25

- 7.1 As previously stated, Cabinet agreed in principle to accept a proposed 5 year HIP subject to overall budget considerations. As a result, expenditure proposals have been included in the capital medium term financial forecast at Appendix A and updated to take account of previous years being completed and new updated year's being introduced.

New Build

- 7.2 The budget for 2020/21 includes a provision of £9.950million to commence works on Phase 2 of the re-development of garage sites, and undertake Phase 3 feasibility work. It also includes a provision of £0.4million to purchase properties developed by Colchester Amphora Homes for the Council, £1.6million for new build at Military Road, and £4.550million for the Airspace project. It should be noted that a number of assumptions have to be made on the timing and cost of these projects, but the budgets will be monitored and revised as part of the annual budget setting and capital monitoring processes. Further estimated provision has been made in subsequent years for these schemes in the CMTFF.

Acquisitions

- 7.3 A provision of £6.5million has been made to continue the programme of buying properties, through a combination of properties offered back to the Council through the Right to Buy legislation, and via the open market. Further estimated provision has been made in subsequent years for these schemes in the CMTFF.
- 7.4 A provision of £0.740million has been made for the cost of the refurbishment of Elfreda House in 2020/21. Further provision has been made in subsequent years in the CMTFF.
- 7.5 The estimated RCCO in 2020/21 is £2.716million, which is broadly in-line with the assumptions in the business plan. In the years prior to HRA Self-Financing, the RCCO has been used to fund non-works programmes, such as Housing ICT and the capitalisation of costs associated with the Housing Client team. However, as indicated in the HIP report agreed by Cabinet on 25th January 2012, RCCO's have been required to support the works element of the capital programme for 2013/14 onwards. These increased contributions have been affordable as under HRA Self-Financing the Council retains all rental income.
- 7.6 Members will be aware that the Council entered into agreement with DCLG in 2012 to retain additional RTB receipts to deliver new affordable housing. As a reminder, retained receipts can only be used on delivering new additional units of accommodation, not on refurbishing existing schemes. The proposals already approved by Cabinet and included in the CMTFF should minimise the amount that has to be repaid to Government.

8. Priorities for the Council

- 8.1 To implement the Colchester Housing AMS, that has been updated to reflect the revised investment plan, as the basis for long term planning, provision and sustainability of Colchester Borough Council's housing assets.
- 8.2 To allocate appropriate funding to CBH within the resources that are available to enable stock investment to proceed, improving housing conditions for our tenants.
- 8.3 To ensure that having achieved delivery of the decent homes' targets in December 2011 that the overall level of decency is maintained at the end of any one financial year but ensure compliance on a five yearly basis.
- 8.4 To build upon current monitoring arrangements and ensure programme delivery and the effective targeting of resources particularly in respect of maintaining the value of the asset and providing Adaptations for our customers with disabilities.

9. Proposals

- 9.1 The report sets out below a summary of the proposed allocation of new resources for 2020/21 as defined by the AMS, as well as those outlined in this report, with the following comments setting out the basis of the allocation.
- 9.2 **Capital Investment Programme - £6.159million** – This allocation supports the AMS and acknowledges the work required to allow the decency standard to be maintained, therefore this substantial proportion of the overall allocation is recommended.
- 9.3 **Aids & Adaptations - £0.696million** - This continues to support the budget at historic levels. The proposed allocation achieves the requirement to adapt Council dwellings to meet the special needs of our customers and also meet the high priority that Members place on this service.
- 9.4 **Emergency Failures (statutory obligation) and Voids - £0.754million** – This allocation supports the AMS and the experience gained through the management controls being exercised. It reflects the necessity to recognise capital works in the voids process along with emergency failures.
- 9.5 **Emergency failures structural works - £0.232million** – As with the previous allocation this reflects the AMS and the experience gained through the management controls being exercised. The work is generally associated with premature failure of structural elements.
- 9.6 **Environmental Works - £0.812million** - This allocation supports the AMS by continuing to address the improvements to the overall estate living environment. It will include door entry systems, block communal improvements, boundary works and PVC installations to continue to reduce the revenue reliance on painting programmes.
- 9.7 **Asbestos, Legionella, Fire Safety and Overall Contingency - £0.448million** – This allocation recognises the need to continue to proactively manage our statutory obligations in the defined areas and provides a general contingency to cover the whole of the programme together with survey work
- 9.8 **Garages - £0.232million** – This investment in the garage stock is intended to secure additional revenue income that will support the business plan in future years. We have seen a return on the investment made in previous financial years by increased garage tenancies and fewer empty garages on the sites that have been refurbished.
- 9.9 **Sheltered Accommodation Improvements - £0.740million** – This allocation supports the continuation of the overall refurbishment programme. Individual delivery contracts will be reported to Cabinet as tenders are returned.

- 9.10 **Non-Works Programmes - £0.140million** – This allocation is for capital costs linked to the further development of the Housing management system.
- 9.11 **Acquisitions - £6.500million** – As set out in the main body of the report, this allocation supports the potential to Buy Back properties offered back to the Council through the Right to Buy legislation, and purchasing properties on the open market. This allocation provides the opportunity to use funding through retained 1-4-1 Right To Buy receipts (up to 30% of total cost), with the balance of 70% coming from prudential borrowing.
- 9.12 **New Build - £9.950million** – As set out in the main body of the report, this allocation supports the plans previously considered by Cabinet.

10. Strategic Plan References

- 10.1 The HIP links to the following areas of the Councils strategic plan:

Growth

- Help make sure Colchester is a welcoming place for all residents and visitors.
- Ensure residents benefit from Colchester economic growth with skills, jobs and improving infrastructure.

Opportunity

- Promoting and improving Colchester and its environment
- Ensure a good supply of land available for new homes through our local plan.
- Promote initiatives to help residents live healthier lives.

Wellbeing

- Making Colchester an even better place to live and supporting those who need most help
- Encourage belonging, involvement and responsibility in all the boroughs communities.
- Create new social housing by building Council homes and supporting Registered Providers.
- Target support to the most disadvantaged residents and communities

11. Consultation

- 11.1 The Council conducted the bi-annual STAR survey through ARP Research in April 2018, and will be doing so again in 2020, with the specific aim of obtaining customer feedback through a survey of general needs tenants, all sheltered tenants and leaseholders. In 2018, there was an increased response rate from tenants and leaseholders on previous surveys. Questions were centred on Colchester Borough Homes performance, tenant satisfaction with their homes, neighbourhood and services. The survey also attempted to identify tenants' priorities on where we focus the provision of non-statutory services. It is planned to repeat the STAR survey during 2020 and the report of the results will be made available to Cabinet and Members, to inform decision-making.
- 11.2 Consultation was previously undertaken as part of the process to review spending plans given the impact of the Government's previous rent reduction policy. A task and finish group was held with a number of tenants and leaseholders on the Asset Management investment plans of the Housing Futures Programme. One of the outcomes of this was that the views of tenants and leaseholders were generally in line with the proposed investment programme. Since that time, the Government's rent reduction policy has ended, and as a consequence, the Council will be reviewing its HRA Asset Management Strategy in 2020, and carrying out consultation as part of this work.

- 11.3 It should also be noted that thorough consultation will be carried out with tenants and leaseholders affected by any works to properties or areas as a result of the works programmes proposed within this report.

12. Publicity Considerations

- 12.1 Any housing investment has a significant impact on the quality of life for local people. As a consequence the targeting and effectiveness of the programme has huge interest for members and the public as a whole. It is recognised that ongoing publicity will need to be conducted particularly as existing programmes continue and new capital programmes are introduced. Updates will be publicised to the customers in the areas to receive work during the year.

13. Financial implications

- 13.1 As set out in the report.

14. Equality, Diversity and Human Rights implications

- 14.1 An impact assessment has been prepared and can be viewed through the following link

<http://www.colchester.gov.uk/article/12743/Commercial-Services>

15. Community Safety Implications

- 15.1 Through the delivery of improvements to our housing assets and the built environment, the Council seeks to achieve improved outcomes for residents across the borough. This contributes to a reduction in the occurrence of anti-social behaviour, and the incidences of crime through investment in external elements of properties, e.g. UPVC windows and doors, and door entry systems.

16. Health and Safety Implications

- 16.1 CBH will be responsible for implementing the delivery of this programme in a manner that reflects Health and Safety legislation, although the Council does retain the responsibility to ensure that all procedures are in place and being implemented.

17. Risk Management Implications

- 17.1 Risk management will be considered as the programme is developed, particularly the issues around the introduction of new programmes of work.

18. Environmental and Sustainability Implications

- 18.1 The environmental and sustainability implications of individual work programmes will be thoroughly assessed and considered through the procurement process for each contract.

HRA Capital Medium Term Financial Forecast – 2020/21 to 2024/25

Appendix A

Expenditure	Notes	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Stock Investment Programme etc		8,637	7,338	8,569	11,439	9,330
Sheltered Accommodation Review		740	4,593	3,925	-	-
Adaptations		696	689	700	724	771
Stock Investment Sub - Total		10,073	12,620	13,194	12,163	10,101
New Build		9,950	16,068	10,982	2,875	-
Acquisitions		6,500	6,600	6,151	6,214	-
ICT		140	61	62	64	66
Other Works Sub - Total		16,590	22,729	17,195	9,153	66
Total Programme		26,663	35,349	30,389	21,316	10,167

Resources	Notes	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Major Repairs Reserve		6,000	6,193	6,411	6,598	6,628
Revenue Contribution to Capital		2,716	3,314	3,216	3,267	3,539
Capital Receipts	Stock Rationalisation	250	-	-	-	-
Retained RTB Receipts Reserve		2,820	4,583	2,297	1,927	-
New Borrowing		14,877	21,259	18,465	9,524	-
Total Funding		26,663	35,349	30,389	21,316	10,167