

Cabinet

25th January 2023

Item

12(ii)

Report of **Chief Operating Officer**

Author

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Title **Housing Investment Programme 2023/24**

Wards affected **All**

1. Executive Summary

- 1.1 This report sets out a summary of the proposed allocation of **£28.782million** of new resources to the Housing Investment Programme for 2023/24, 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 2024/25 to 2027/28.

2. Recommended Decision

- 2.1 To approve the Housing Investment Programme for 2023/24.
- 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 2023/24 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 2023/24

- 4.1 This is the twelfth year of Housing Revenue Account (HRA) Self-Financing, and the continued investment in the housing stock and other projects is reflected in this report.
- 4.2 The Council has reviewed its Asset Management Strategy and the outputs are reflected in this report.
- 4.3 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 2023/24 is the twelfth 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 and income levels etc. This is considered further in the 2023/24 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 2023/24 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 and 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. 2023/24 Programme of Works

- 6.1 The requested budget allocation for the 2023/24 programme is £28.782 million. 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 2023/24 totals £1,713,000. A further breakdown of the management fee is included in the HRA Revenue Estimates report elsewhere on the agenda.
- 6.3 Cabinet have previously considered proposals for new projects using HRA borrowing, such as continuing 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 - 2023/24 to 2027/28

- 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 2023/24 includes a provision of £3.300m for further Council new build schemes and also includes a provision of £1.140million to purchase properties developed by Colchester Amphora Homes for the Council. 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 £12.000million 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 (RTB) legislation, and via the open market. This includes those properties which were not purchased during 21/22 given the focus on the 100 homes acquisition in that financial year, which was reported in the Quarter 2 Capital Monitoring report to Governance and Audit Committee on 23rd November 2021. Further estimated provision has been made in the CMTFF.
- 7.4 The 2023/24 budget does not include provision for any new expenditure relating to the Sheltered Housing refurbishment programme, but provision has been made in subsequent years in the CMTFF for the continued investment in this programme.
- 7.5 The estimated RCCO in 2023/24 is £3.304million, which is broadly in-line with the assumptions in the current business plan. In the years prior to HRA Self-Financing, the RCCO had been used to fund non-works programmes. However, as indicated in the HIP report agreed by Cabinet on 25th January 2012, RCCO's have been available 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 2023/24 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 - £7.633million** – This allocation supports the AMS and acknowledges the work required to allow the decency standard to be maintained, in the current existing stock and resulting from the acquisitions programme, therefore this substantial proportion of the overall allocation is recommended.
- 9.3 **Aids & Adaptations - £0.700million** - 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 meet the high priority that Members place on this service.
- 9.4 **Building Safety - £0.545million** - This allocation supports the additional requirements that the emerging Building Safety Act 2023 places on social housing stock providers to provide a robust framework to ensure that building safety works meets the new requirements.
- 9.5 **Emergency Failures (statutory obligation) and Voids - £0.933million** – 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.
- 9.6 **Emergency failures structural works - £0.140million** – 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.
- 9.7 **Environmental Works - £1.020million** - 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.

- 9.8 **Asbestos, Legionella, Fire Safety and Overall Contingency - £1.078million** – 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
- 9.9 **Garages - £0.233million** – 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.
- 9.10 **Non-Works Programmes - £0.060million** – This allocation is for capital costs linked to the further development of the Housing management system.
- 9.11 **Acquisitions - £12.000million** – 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, with the balance coming from prudential borrowing.
- 9.12 **New Build - £4.440million** – 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:
- 10.2 The Better Colchester Strategic Plan 2020-2023 sets out clearly the Councils priorities. The services and projects delivered by CBH contribute directly to the following priority areas and their goals will be overseen through the Asset Management and Capital Monitoring Group(s), using the Asset Management Strategy Action Plan that is in development to track progress against the Strategy and the Business Plan:

Responding to the Climate Emergency

- Reduce carbon emissions to help achieve a zero-carbon footprint for Council services for 2030
- Environment and sustainability imbedded in all Council decision making and the adaption and recovery from Covid-19

Tackling the causes of inequality and support our most vulnerable people

- Support people to live in healthy homes that meet their needs

Increase the number, quality and types of homes

- Improve existing Council homes to keep them in good repair and improve energy efficiency
- Continue to improve and modernise available housing for older people

Prevent households from experiencing homelessness

- Work with partners to deliver the 2020-23 Homelessness and Rough Sleeping Action Plan
- Intervene early to prevent homelessness and work in partnership with other organisations to sustain people's accommodation
- Tackle rough sleeping in the Borough

Enable economic recovery from Covid 19 ensuring all residents benefit from growth

- Ensure our Borough becomes stronger post Covid 19 by supporting businesses to recover, adapt and build resilience
- Develop opportunities to ensure the new economy is greener, sustainable and more resilient

Create an environment that attracts inward investment to Colchester help businesses to flourish

- Encourage green technologies and innovative solutions to the Climate Emergency
- Maximise the social value benefits derived from third party contracts
- Ensure the Councils assets continue to contribute to economic growth and opportunity

11. Consultation

- 11.1 The Council has previously conducted a bi-annual Survey of Tenants and Residents (STAR) with the specific aim of obtaining customer feedback on satisfaction with services through a survey of general needs tenants, all sheltered tenants and leaseholders. From this CBH developed a resident engagement action plan to include more consultation with residents to help tenants and leaseholders understand and take responsibility and understand safety in their homes.
- 11.2 Further engagement will also be required to increase understanding of climate change and net zero carbon, so tenants understand what has to be done and how this will be done to achieve our goals and aspirations in managing our assets.

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. There also needs to be a communication strategy to ensure that social housing residents develop a greater awareness of issues relating to climate change and how investment in their homes will contribute towards carbon reduction. 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. The impact of HIP works are therefore generally thought to be positive.

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. The Council has clear goals and objectives around tackling the climate challenge. The Asset Management Strategy includes how these can be supported and delivered over the next 5 years so that within the HRA the Council has a deliverable and affordable plan that will contribute to the net carbon footprint for Council services. The Housing Investment Programme for includes provision for works to ensure that the housing stock reaches EPC C by 2030.
- 18.2 We have submitted a bid for grant funding from the Social Housing Decarbonisation Fund. The bid is to complete £2.6million of work to some of our HRA homes to exceed the EPC C banding and reduced costs for our tenants, of which £1million being grant funded. The result of the bid is due to be announced in February 2023.

Appendices

- Appendix A – HRA Capital Medium Term Financial Forecast 2023/24 to 2027/28

Background Papers

- None

HRA Capital Medium Term Financial Forecast – 2023/24 to 2027/28

Appendix A

Expenditure	Notes	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Stock Investment Programme etc		11,582	13,345	12,019	13,492	14,360
Sheltered Accommodation Review		-	2,390	8,291	3,269	1,271
Adaptations		700	706	711	740	763
Stock Investment Sub - Total		12,282	16,441	21,021	17,501	16,394
New Build		4,440	29,739	32,185	2,689	-
Acquisitions		12,000	7,344	7,491	7,641	7,794
ICT		60	63	65	66	68
Other Works Sub - Total		16,500	37,146	39,741	10,396	7,862
Total Programme		28,782	53,587	60,762	27,897	24,256

Resources	Notes	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Major Repairs Reserve		6,000	6,314	6,713	7,053	7,212
Revenue Contribution to Capital		3,304	3,603	4,450	3,915	4,449
Grants		-	4,988	3,785	-	-
Retained RTB Receipts Reserve		2,280	3,218	3,898	2,768	2,078
New Borrowing		17,198	35,464	41,916	14,161	10,517
Total Funding		28,782	53,587	60,762	27,897	24,256