

**Subject: HOUSING MAJOR WORKS CAPITAL PROGRAMME:
BUDGET ESTIMATES (2016-2017 to 2020-2021)**

Report to: Council

Date: 24th February 2016

Report by: Robert Read, Director of Housing & Neighbourhoods

Subject matter and recommendations:

This report provides estimates in respect of the Housing Revenue Account (HRA) Major Works Capital Programme 2016-2017 to 2020-2021.

Recommendations:

Full Council is asked to recommend:

- The proposed Housing Major Works Capital Programme budget and programme for 2016- 2017 and the provisional programme for 2017-2018 to 2020-2021.
- The revised forecast programme for 2015-2016.

1.1. Background

- 1.2. Local authorities' housing capital expenditure programmes cover both Housing Revenue Account (HRA) related expenditure (which is largely stock related) and non HRA (support for private sector housing) expenditure. The focus is mainly in relation to the authority's own stock but the programme should reflect the specific needs and priorities of the area as set out in the housing strategy.
- 1.3. The size of an authority's housing capital expenditure programme is a matter for it to determine in the light of its assessment of the resources available to finance capital expenditure for the authority as a whole and the proportion of that which is to be spent on housing.
- 1.4. The local government capital finance system, introduced in Part 1 of the Local Government Act 2003 together with the various regulations made under that Part, applies to all local authority capital expenditure with no specific reference to housing. There is no ring fence arrangement applicable to capital but the GYCH capital programme as it relates to the HRA is separately monitored. The rules governing the way in which the revenue consequences of capital expenditure and capital receipts relating to HRA property are recorded in the HRA build on these rules and are set out in the 'Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012'.

2.1. Housing Major Works Capital Programme (HMWCP)

- 2.2. The HMWCP is subject to ongoing review and continues to be refined to take into account the priorities and objectives which have been derived from our understanding of the stock; the needs of current and future tenants; the opportunities presented by funding streams and; options for procurement and delivery of our investment plans.
- 2.3. There are two key strands to our investment plans:
- Maintaining and improving our housing stock;
 - New Affordable Council housing, including new housing to replace sales under RTB in line with Government guidance.
- 2.4. Our plans are prepared over the medium term and are reviewed and updated annually. Future investment decisions will be based on local decision making and local knowledge of the condition of the stock and the components within the stock.

2.5. Drawing upon information derived from the stock condition surveys a programme has been drawn together which addresses known replacement issues of components from the stock condition data.

2.6. The programme includes the continuation of the kitchen and bathroom programme, an enhancement to the boiler and heating replacement schemes and the delivery of external wall insulation. Major Roofing works and loft insulation works have also been added to the budget in 2016-17.

2.7. These schemes offer both the opportunity to modernise properties, sustain them for the future and increase the thermal comfort of tenants. They also bring about potential savings from future revenue repairs budgets.

2.8. The programme is summarised in the table below:

Draft Housing Major Works Capital Programme (Further detail in Appendix A)

	Original Budget 2015-16	Revised Forecast 2015-16	Draft Budget 2016- 2017	Plan 2017-18	Plan 2018-19	Plan 2019-20	Plan 2020-21
	£000	£000	£000	£000	£000	£000	£000
Expenditure							
Kitchens & Bathrooms	3,781	2,374	1,734	1,734	1,734	1,734	1,479
Windows & Doors	175	205	185	125	125	450	450
Planned Maintenance	1,050	793	1,543	1,420	1,420	1,420	1,220
Energy Efficiency Improvements	2,573	1,255	1,390	1,315	1,215	515	515
Specific Planned Projects	275	406	489	315	313	305	305
Estate Improvements	422	515	620	390	390	340	340
Empty Properties	545	406	500	300	300	300	300
New Affordable Housing	2,000	0	2,100	2,052	1,000	1,000	0
Total Expenditure	10,821	5,954	8,561	7,651	6,497	6,064	4,609

3.1. Forecast 2015-16

- 3.2. An updated forecast of expenditure for 2015-2016 was prepared in Qtr 3 of the financial year 2015-2016 to account for changes known at that time. The budget for 2015-2016 has been revised to provide clearer expenditure categorisation and to take account of the reduction in spending in year.
- 3.3. The reductions in the 2015-16 programme are mainly in relation to a New Affordable Housing Programme not starting in 15/16 and being moved into 16/17; the delay of the External Wall insulation project into 2016/17 due to changes in available external funding through the Green Deal; the loft insulation budget being moved into 2016/17 to be in line with roofing works and the stock condition survey starting in Qtr. 4 of 15/16 and continuing into 16/17. The Kitchens and Bathrooms project was put on hold in quarter 3 due to the current contract ending and the need to review budgets in light of the legislative changes identified in the revenue report. This provides revenue contribution savings to carry forward into 16/17 of £1m.
- 3.4. This reduction in capital expenditure does not generally create any accounting problems as the expenditure can be incurred in the following year using: resources from the Major Repairs Reserve, which can be carried forward from one year to the next (and will attract interest to the HRA); capital receipts unapplied, which can be carried forward (although any interest is paid to the General Fund); and revenue balances, which can be retained in the HRA. The draft programme for 2016-17 includes expenditure in relation to schemes that have slipped from 2015-2016.
- 3.5. Further detail of the programme of works is appended to this report.

4.1. 2016-17 Draft Budget and Future Expenditure Plans

- 4.2. The Council's future investment in its housing stock will be determined by its Asset Management Strategy, subject to the constraints of available resources. The development of the HRA Major Works Capital Programme is on-going and the plans for 2016-2017 and later years have been prepared using the HRA Business Plan model
- 4.3. The HRA Business model has incorporated the rent decrease of 1% per year for the next four years. After that it assumes a rent increase of CPI + 1% each year

following. The HRA business model provides an overview of availability of resources for future investments into Capital Programmes.

4.4. It is expected that the capital budgets will continue to be refined and re-aligned over the coming months and years, as plans for the future are further developed. These future plans will be reviewed as part of the annual budget setting process.

5.1. Resources and Links to the HRA

5.2. Financing of the Housing Programme has changed as a result of the move to self-financing. The HRA does not receive any support for borrowing but can still do so, subject to certain limits where this can be supported from future income. There are also significant changes to the retention and use of capital receipts.

5.3. Capital expenditure within the HMWCP is anticipated to be financed as follows.

Housing Major Works Capital Programme

	Original Budget 2015- 2016	Revised Forecast 2015- 2016	Draft Budget 2016- 2017	Plan 2017- 2018	Plan 2018- 2019	Plan 2019- 2020	Plan 2020- 2021
	£000	£000	£000	£000	£000	£000	£000
Financing							
Borrowing	959	0	2,100	2,052	1,000	1,000	0
Capital Receipts	877	877	890	877	569	433	279
Major Repairs Reserve	2,980	3,039	3,039	3,124	3,212	3,302	3,394
Revenue	6,005	2,038	2,532	1,598	1,716	1,329	935
Total Financing	10,821	5,954	8,561	7,651	6,497	6,064	4,608

5.4. Explanations of the sources of finance and the links to the HRA are given below.

6.1. Borrowing

6.2. Borrowing can be undertaken by the Council to support the HMWCP subject to the constraints imposed by the “cap” imposed in relation to the HRA through the Limit on Indebtedness Determination 2012. This cap currently restricts housing debt for Great Yarmouth to just under £90m (giving borrowing capacity of about £12.5m). The costs associated with borrowing are charged to the HRA as calculated by the Council in accordance with the ‘Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012’.

6.3. The draft budget uses borrowing to support the programme where required resources exceed the other sources of finance. It should be noted that where borrowing is undertaken the costs of borrowing are met by the HRA and revenue resources applied to the capital programme are reduced accordingly. The planned borrowing for future years is indicative at this stage. It is anticipated that there will still be borrowing capacity of about £6.3m in addition to the current borrowing plans.

6.4. If required the Council could also consider bidding to any future bidding rounds, announced by the Government, for increasing the debt cap. Our future borrowing therefore, will be reviewed and updated annually to reflect this and any other changes to our capital and revenue programmes.

7.1. Capital Receipts

7.2. Increases to the maximum discount available for the Right to Buy (RTB) scheme is currently leading to a high amount of RTB sales. The latest estimate for 2015-2016 is for 40 sales, however this will be held under continual review. For

7.3. The apportionment of receipts from these sales is complex and is set out in recent statutory instruments amending the Local Authorities (Capital Finance and Accounting) Regulations 2003. We have undertaken separate detailed analysis to determine the receipts applicable to the programme. In order to retain all of these receipts expenditure on new building to replace sales must meet certain requirements or repayments of the receipts are required to be made. The table below sets out the required expenditure necessary to retain all the anticipated receipts:

Apportionment of RTB Receipts and Required New Build Expenditure

Year	RTB Receipts	RTB Admin	Allowable Debt	Authority Income	Government Income	Retained Receipts	New Build Expenditure Required
	£	£	£	£	£	£	£
2012-2013	927,795	27,300	288,746	107,097	256,856	247,797	0
2013-2014	2,087,490	61,100	768,052	125,318	295,848	837,172	0
2014-2015	1,825,920	53,300	691,650	140,536	324,852	615,583	0
2015-2016	1,152,718	35,100	445,932	146,641	371,611	153,434	0
2016-2017	925,428	26,000	266,896	148,112	368,632	115,788	2,096,712
2017-2018	948,564	26,000	271,832	153,339	381,639	115,754	2,051,942
2018-2019	972,278	26,000	276,836	158,744	395,092	115,606	511,959

2019-2020	996,585	26,000	281,903	164,340	409,019	115,323	385,959
2020-2021	1,021,500	26,000	287,030	170,133	423,437	114,899	385,959

7.4. The planned expenditure on new build schemes ensures that there is sufficient spend to meet the Government requirements for the retention of RTB receipts. If changes are made to reduce spending (and the timing of that spend) on new building to less than indicated in the table above this could result in the Council having to repay retained RTB receipts and interest to the Government.

8.1 New Affordable Housing – RTB retained receipt options

8.2 From 2016/17 onwards, the Council will continue to look at options for new build sites and as well as the opportunity for an element of the Beacon Park development to become affordable Council Housing, a further in-fill site in Gorleston is currently being prepared for a planning application.

8.3 In addition to the funding of new build properties, it is proposed to increase the availability of affordable housing in order to help to meet the needs of those on the Council's allocations pool, with a combination of three options.

9.1 Grant contribution to Housing Association development

9.2 RTB Receipts can be offered as grant funding to other registered providers (Housing Associations) operating in the borough in order to make potential development schemes viable. The maximum contribution would be 30% of any scheme costs. This form of financial assistance cannot be offered in addition to any grant in place from the Homes & Communities Agency (HCA). GYBC would receive nomination rights to these properties under our allocation scheme.

9.3 There are potential schemes available in the borough, which are not currently being developed due to a lack of grant funding. Once an agreement to provide funding had been approved, planning permission would be required.

10.1 Purchasing 'empty homes' on the open market

10.2 There are currently around 500 empty homes within the borough. A property is classified as an empty home if it has been unoccupied for 6 months or more. These homes are empty for various reasons including awaiting renovation, subject to probate or the owner has not been able to dispose of the property.

10.3 GYBC operated a part HCA funded project between 2012 to 2015 where we purchased 9 empty homes. The HCA provided a grant of £17,000 per property. It is possible to replicate this project using RTB receipts to contribute up to 30% of the costs.

10.4 Our experience of this project is that the number of properties that are suitable for purchase are limited due to historic features e.g. steep stairs, bedroom off another

bedroom etc., price or overall condition, however, the scheme would provide a positive contribution to the provision of affordable housing.

- 10.5 Any properties considered for purchase would be checked to ensure that they meet the housing needs of residents in our 'housing pool'. They will be surveyed to assess any costs involved in ensuring they are ready for letting and a calculation will be undertaken of the full costs and payback period from rent in the same way that a new build schemes are assessed for viability. This will ensure that there is no adverse impact long term on the HRA Business Plan. The purchase price will be negotiated by the Property Services team.

11.1 Purchase of a limited number of suitable properties on the open market

- 11.2 This option mirrors the empty homes option above, including the criteria to ensure that the RTB receipts are spent appropriately. Properties would not be limited to properties classified as 'empty', however, a condition that the properties were of a type that would meet the high housing need of applicants within the allocation pool would apply. This would enable properties to be identified and purchased in a timely manner. A maximum of 6 properties would be purchased under this option.

12.1 Major Repairs Reserve

- 12.2 In accordance with proper accounting practice depreciation must be charged to the HRA on an annual basis. This charge is then applied as resources for the capital programme through the Major Repairs Reserve. The expectation of the Government is that this will be based on component lifecycles i.e. the cost of maintaining the properties in their existing condition.

13.1 Revenue

- 13.2 For 2016-17 we have used £2.1m of borrowing, £2.5 m of revenue, £3m from the depreciation charge and £0.9m from in year Capital Receipts.

14.1 HRA Business Model

- 14.2 Appendix B has been produced by the HRA Business Model and provides an overview of how the Capital Programme will be funded over the next 30 years.

[1. GYCH HRA Budget Report 2016-17 Revenue 130116.docx](#)
[1A. Appendix A Housing Revenue Account Budget 2016-2021 & Revised Draft 2015-16.xlsx](#)
[2. GYCH HMWCP Budget Report 2016-17 130116.docx](#)
[2A. Appendix A HMWCP - Capital Programme 2016-2021 & Revised Draft 2015-16.xlsx](#)
[..\\3. Capital programme 1617 130116.xlsx](#)
[..\\4. RTB Capital Budgets - to avoid repayment of RTBs.xlsx](#)
[..\\..\\2. Monitoring - HRA Capital Programme 1516\\Qtr 3\\Capital monitoring sheet P9 - Qtr3 updated by GYN.xlsx](#)

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 Date: 13/01/16

Does this report raise any legal, financial, sustainability, equality and diversity, crime and disorder, human rights or Every Child Matters issues, and, if so, have they been considered?	Issues	
	Legal	No
	Financial	Yes, and taken into account
	Sustainability	Yes, and taken into account
	Equality and Diversity	No
	Crime and Disorder	No
	Human Rights	No
	Every Child Matters	No

Appendix A

Revised HRA Capital Programme 2015-2016 & Draft HRA Capital Programme 2016-2017 to 2020-2021.

HRA Capital Programme	Original Budget 1516	Revised Forecast Budget 1516	Budget 1617	Budget 1718	Budget 1819	Budget 1920	Budget 2021
Improvement Programme	3,956,200	2,579,000	1,919,000	1,859,000	1,859,000	2,184,000	1,928,938
Kitchens & Bathrooms	3,781,200	2,374,000	1,734,000	1,734,000	1,734,000	1,734,000	1,478,938
Windows & Doors	175,000	205,000	185,000	125,000	125,000	450,000	450,000
Energy Efficiency Improvements	2,557,000	1,271,358	1,390,000	1,315,000	1,215,000	515,000	515,000
300mm Loft Insulation	195,000	5,000	100,000	100,000	100,000	100,000	100,000
Green Deal/Eco Works - Northern Parishes	897,000	-	400,000	400,000	400,000	-	-
Insulated Coved Ceilings	-	16,000	-	-	-	-	-
Heating contract one off replacements	430,000	430,000	315,000	315,000	315,000	315,000	315,000
Replace Inefficient and Partial Heating Systems	320,000	155,000	225,000	200,000	200,000	-	-
Replace Open Flue Boilers	320,000	287,116	33,000	-	-	-	-
Boiler Replacements	-	-	200,000	200,000	100,000	-	-
Air Source Heat Pumps	-	-	-	100,000	100,000	100,000	100,000
Communal Heating	395,000	378,242	117,000	-	-	-	-
Estate Improvements	422,000	515,000	620,000	390,000	390,000	340,000	340,000
New Car Parking spaces	82,000	140,000	140,000	140,000	140,000	140,000	140,000
Upgrade Stair Enclosures	250,000	250,000	300,000	150,000	150,000	100,000	100,000
First Time Installation Sewerage Schemes	90,000	125,000	80,000	-	-	-	-
Concrete Works	-	-	100,000	100,000	100,000	100,000	100,000
Planned Maintenance	1,050,000	792,611	1,543,000	1,420,000	1,420,000	1,420,000	1,220,000
Rewiring Dwellings	350,000	215,611	320,000	320,000	320,000	320,000	320,000
Roofing	115,000	60,000	455,000	400,000	400,000	400,000	300,000
MRA	200,000	200,000	50,000	50,000	50,000	50,000	50,000
Capital Adaptation works	75,000	75,000	50,000	50,000	50,000	50,000	50,000
Neighbourhood plans	150,000	150,000	250,000	250,000	250,000	250,000	250,000
Firewalls in roof space	18,000	-	18,000	-	-	-	-
Flat Roofs	75,000	25,000	350,000	300,000	300,000	300,000	200,000
Reline Finlock Gutters	67,000	67,000	50,000	50,000	50,000	50,000	50,000
Specific Planned Projects	291,000	390,584	489,460	315,080	313,080	304,580	304,580
Jontek update	25,000	25,000	-	-	-	-	-
Heat Leasing Final Payment	-	18,575	-	-	-	-	-
Wherry Way Office remodelling	-	47,000	-	-	-	-	-
Stock Condition Survey	250,000	150,000	150,000	-	-	-	-
Oil Tanks	16,000	16,000	16,000	-	-	-	-
Whole House works	-	-	250,000	250,000	250,000	250,000	250,000
Other	-	134,009	73,460	65,080	63,080	54,580	54,580
New Affordability Housing	2,000,000	-	2,100,000	2,052,000	1,000,000	1,000,000	-
Empty Properties	545,000	406,000	500,000	300,000	300,000	300,000	300,000
Grand Total	10,821,200	5,954,553	8,561,460	7,651,080	6,497,080	6,063,580	4,608,518

Appendix B - Funding Provided for the Capital Programme over 30 years

