

## **Summary Sheet**

### **Council Report**

Housing Investment Programme 2016-17

### **Is this a Key Decision and has it been included on the Forward Plan?**

Yes

### **Strategic Director Approving Submission of the Report**

Graeme Betts, Interim Strategic Director

Stuart Booth – Acting Strategic Director of Finance and Corporate Services

### **Report Author(s)**

Paul Elliott, Business and Commercial Programme Manager

### **Ward(s) Affected**

All

### **Executive Summary**

The purpose of this report is to present the detailed 2016-17 Housing Capital Programme.

Approval for the high level Capital Programme was given by Cabinet on 23 February 2016 and subsequently full Council on 2 March 2016.

### **Recommendations**

- 1. Approve the detailed Housing Investment Programme for 2016-17.*

### **List of Appendices Included**

Appendix A – Detailed Housing Investment Programme 2016-17

### **Background Papers**

Capital Programme Budget Setting Report - 2016/17 to 2020/21, 23 February 2016

### **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Housing Investment Programme 2016-17**

### **1. Recommendations**

1.1 That Cabinet approve:

1. The detailed Housing Investment Programme for 2016-17 attached at Appendix A.

### **2. Background**

- 2.1 The budget process that led to the original Capital Programme for 2013-14 to 2016-17 ensured that the Council's capital investment plans were aligned with its strategic priorities and vision for Rotherham.
- 2.2 In order to maintain that strategic link, and make best use of the capital resources available to the Council, it is important that the programme is kept under regular review and where necessary revisions are made.
- 2.3 There has been significant national policy changes since the original Housing Investment Programme was set for 2016-17 as part of the three year Capital Programme. These include a rent reduction of 1% per year for the period 2016-17 to 2019-20 and the introduction of a High Value Property Levy. As a result of these changes, there has already been a significant reduction in forecast income to the HRA. This income will reduce further once the details from Government are received on how the high value property levy will be calculated. Based on information published to date this may result in a charge of up to £3.5m per annum to the HRA if the Council chose not to sell housing stock to fund these payments.
- 2.4 The policy changes in the Housing and Planning Bill and Welfare reform bill, will potentially also increase Right to Buy sales. Although this will generate capital receipts, over the longer term income to the HRA will reduce. This will mean there will be fewer resources to invest in council housing throughout the borough. As a result the Housing Investment Programme for 2016-17 has been reduced to reflect this. Alongside the review of capital costs the Housing Service are also embarking on a review of HRA revenue costs.
- 2.5 The table below provides an overview of the originally approved Housing Improvement Plan for the period 2016-17 and the proposed revisions.

**Table 1: 2016-17 Housing Investment Programme Budget Summary**

<b>Description</b>	<b>Original Budget 2016-17 £</b>	<b>Revised Budget 2016-17 £</b>	<b>Variance £</b>
Refurbishments	13,264,000	10,190,000	-3,074,000
Other Capital Projects	12,568,449	12,441,000	-127,449
Fair Access to All (Adaptations)	4,200,000	4,200,000	0
New build – Strategic Acquisitions	5,060,000	5,060,000	0
Neighbourhoods Private Sector Housing	167,000	483,348	+316,348
<b>Total</b>	<b>35,259,449</b>	<b>32,374,348</b>	<b>-2,885,101</b>

### 3. Key Issues

- 3.1 This report focuses on the 2016-17 Housing Investment Programme, originally approved by Council in March 2015, which is being implemented and has been continuously updated as a result of amendments and additions approved by the Council throughout the year.
- 3.2 A review of the Capital Programme has been completed and has focussed on confirming priorities, contractual commitments and reviewing resource availability in light of changes to HRA income.
- 3.3 The figures relating to the programme continuation are based on estimates compiled as at February 2016. It has been calculated on the expectation that the 2015-16 out turn will be £30,698,856. The re-profiling of committed schemes from the current year's programme into future years, based on the latest monitoring report, and the inclusion of new schemes, gives a proposed new capital approved programme of £32,374,348 for the period 2016-17. All schemes within this programme are outlined within Appendix A, along with details of the proposed profiled spend and resources.
- 3.4 The reduction in budget for 2016-17 of £2,885,101 is a consequence of changes to social housing policy made by government, specifically:
- i. Reduction of social housing rents by 1% per year for the period 2016-17 to 2019-20. This will result in substantially less income to the HRA over the next 4 years and beyond.
  - ii. Introduction of a High Value Property Levy. Detailed guidance on how this will be calculated has still not been issued by government. Based on information to date, this may cost up to £3.5m per annum if properties were not sold to fund this charge to the HRA. It is anticipated a determination

detailing how much the HRA will have to pay will be received from government sometime during 2016-17.

- 3.5 Approval for any further carry over of budgets will be sought in June 2016 when reconciliation of actual spend in 2015-16 is complete.

#### **4. Options considered and recommended proposals**

- 4.1 The projects that have been put forward for inclusion in the 2016-17 Capital Programme have been prioritised from a long list of capital project proposals. This process has been undertaken by senior officers, through the Strategic Capital Investment Group (SCIG), in conjunction with Members. It follows work carried out to refresh existing strategies and plans, including Asset Management Plans.

#### **5. Consultation**

- 5.1 Consultation has taken place with Members, Commissioners, and officers engaged in capital projects across Directorates. In addition, the capital programme is managed and monitored through SCIG.

#### **6. Timetable and Accountability for Implementing this Decision**

- 6.1 Stuart Booth – Acting Strategic Director of Finance and Corporate Services

Graeme Betts – Acting Strategic Director Adult Care and Housing

David Richmond – Assistant Director of Housing and Neighbourhoods

#### **7. Financial and Procurement Implications**

- 7.1 The finance implications are contained within Section 3 of the report. Any revenue implications from the Approved Capital Programme have been fully reflected in the HRA's 2016-17 Revenue Budget Report, the HRA 30 year business plan, the council's Medium Term Financial Strategy and the Prudential Indicators and Treasury Management and Investment Strategy.

- 7.2 There is a requirement for all projects within the Capital Programme to be procured in line with the Council's Standing Orders and Financial Regulations. The Authority utilises national and regional framework arrangements for many of its capital contracts, including the YORbuild framework lists. This speeds up the procurement process, and ensures that the Council achieves value for money in the procurement of its capital contracts.

- 7.3 There is a requirement for Stage 2 projects to follow the new Capital Programme Governance procedures. This will include the requirement to bring forward detailed business cases for full sign off, before the delivery of the project commences.

- 7.4 The table below details how the 2016-17 Housing Improvement Programme will be funded:

<b>Funding</b>	<b>Amount £</b>
Grants	1,485,617

Revenue Capital Contribution Outlay	8,159,490
Capital Receipts	1,291,731
MRA	21,437,510
<b>Total</b>	<b>32,374,348</b>

## **8. Legal Implications**

- 8.1 All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are put in place, specifications are clearly defined and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and limit the financial impact on the Council arising from them.

## **9. Human Resources Implications**

- 9.1 Capital projects are resource intensive and require careful scoping, planning and costing, to ensure that business cases are robust, realistic and deliverable. The delivery of the Capital Programme has to be carefully planned to ensure that the Council has the appropriate skills and capacity available to plan the works, and then carefully manage and monitor contractors once they are on site.
- 9.2 Whilst there are no immediate Human Resource implications of this decision, over the longer term if the Housing Investment Programme is reduced, there will be fewer staffing resources required to manage the programme.

## **10. Implications for Children and Young People and Vulnerable Adults**

- 10.1 There are no implications for CYPS or Vulnerable Adults.

## **11. Equalities and Human Rights Implications**

- 11.1 Projects within the Capital Programme, specifically Aids and Adaptations will ensure that as far as possible tenants are able to remain independent and their homes are accessible.

## **12. Implications for Partners and Other Directorates**

- 12.1 The relevant elements of the report have been produced in conjunction with officers engaged in capital projects across Directorates. In addition, the Capital Programme is managed and monitored through the Strategic Capital Investment Group (SCIG). Where the Council is working with partner organisations on specific projects, for example in Health, the Police and other government agencies, proposals have been developed in conjunction with these organisations.
- 12.2 By reducing the 2016-17 Housing Improvement Programme there is a risk that there will be an income pressure of Corporate Property Service as there will be fewer capital projects for the service to manage.

## **13. Risks and Mitigation**

13.1 The Capital Programme is funded through a number of sources: borrowing, Capital Grants & contributions, revenue contributions and capital receipts. Any uncertainty over the funding of the Programme rests on confirmation that grants/contributions and capital receipts continue to be available in coming years. Where funding sources are volatile in nature the risks will be managed by continually keeping the programme under review.

13.2 Finance work closely with Project Managers and the Corporate Property Unit, to monitor project expenditure and performance. Improvements that are being introduced to the Capital Programme governance arrangements and enhanced reporting requirements will ensure that Members will receive early notice of any specific project issues. This will enable early intervention to take place to bring projects back on timetable and cost, or if necessary, agree an additional capital programme funding approval. Where elements of the Programme are reliant on future grant funding, future projects will be continually reviewed to match the programme against funding availability.

#### **14. Accountable Officer(s)**

Stuart Booth – Acting Strategic Director of Finance and Corporate Services

Graeme Betts – Acting Strategic Director Adult Care and Housing

David Richmond – Assistant Director of Housing and Neighbourhoods

Approvals obtained from:-

Strategic Director of Finance and Corporate Services:-

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