

CABINET (HOUSING) COMMITTEE

29 June 2011

DELIVERING DECENT HOMES – REPAIRS AND RENEWALS PROGRAMME
2011/12

REPORT OF THE HEAD OF LANDLORD SERVICES

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RECENT REFERENCES:

CAB1991 – Delivering Decent Homes – Repairs and Renewals Programme 2010/11
Dated 17 March 2010

CAB2128 - Housing Revenue Account Budget and Rent Setting 2011/12 – Update
Dated 9 February 2011

EXECUTIVE SUMMARY:

The Council's Housing Revenue Account (HRA) Business Plan sets out long term financial projections and proposals for the management of housing related assets. It is a 30 year plan that is usually subject to an annual update. However, in light of announcements on HRA Reform and the start of the "Self Financing" regime from April 2012, a comprehensive mid to long term update to the Business Plan will not be prepared until later this year.

However, a key element of the Plan is the Major Repairs, Renewals and Maintenance Programme and this has been updated to provide detailed proposals for investment in housing stock over the next year. Funding of the programme was fully approved as part of the 2011/12 HRA and Capital Programme approved by Council in March 2011.

The proposals result in an overall programme for 2011/12 of £10,353,965, funded from HRA revenue, the major repairs reserve and capital receipts.

RECOMMENDATIONS:

That the proposed Major Repairs, Renewals and Maintenance Programme, be approved.

CABINET (HOUSING) COMMITTEE29 June 2011DELIVERING DECENT HOMES – REPAIRS AND RENEWALS PROGRAMME
2011/12REPORT OF THE HEAD OF LANDLORD SERVICESDETAIL:1 Introduction

1.1 Most years, a comprehensive update to the Housing Revenue Account (HRA) Business Plan is approved by Cabinet, looking at long term objectives and financial projections for the service. However, in light of announcements on HRA Reform and the start of the “Self Financing” regime from April 2012, a comprehensive mid to long term update to the Business Plan will not be prepared until later this year.

1.2 A “one year service plan” has been developed that links closely with the Council’s approved Change Plans. A key priority in this Service Plan is the annual update of the Repairs and Renewals Programme. A draft programme has been prepared and is included as an appendix to this report.

2 Resources Available to Fund the Programme

2.1 Resources available to fund the Maintenance Programme total £10,353,965. This is made up of:

a)	2011/12 HRA Provision for Repairs Works	£ 4,045,965
b)	2011/12 HRA Provision for Disabled Adaptations	£ 435,000
c)	2011/12 Major Repairs Allowance	£ 3,943,000
d)	Sewage Works Capital Programme	£ 135,000
e)	Major Repairs Reserve	£ 500,000
f)	Receipts from Asset Sales	£ 1,295,000

Total Resources **£10,353,965**

2.2 In addition to the above resource, a “carry forward” request of £127,000 in respect of the Sewage Treatment works programme will be considered by Cabinet at its meeting in July 2011. If approved, this will be in addition to 2.1 d) above and will provide additional resource over and above the provision for this work detailed in the appendix.

3 The Major Repairs, Renewals and Maintenance Programme

- 3.1 A key feature of the maintenance programme in recent years has been the suspension of certain asset management investment, such as the five year cycle of comprehensive repair and painting, the five year programme of internal decoration for older persons and under investment in kitchens, bathrooms and boilers.
- 3.2 The draft programme for 2011/12 includes increased provision for kitchen and bathroom replacement, subject to available sales receipts. Other additional items include:
- a) Increased Responsive Maintenance provision in recognition of schedule of rate increases for the responsive repairs term maintenance contract due to commence in August 2011.
 - b) Provision for major works with regard to roofing and lift replacement at Winnall flats.
 - c) Compton Stores – Provision for conversion of the redundant shop in Compton into two two-bed flats.
 - d) Provision for specific works at Forder Court and Woolford Close.
 - e) Solar Photo Voltaic (PV) Panels – Provision for a small scale programme of solar panel installations funded directly by the Council.

4 Solar PV

- 4.1 The Council is still progressing proposals for a comprehensive programme of solar PV installations funded and managed by private companies in return for a “roof rental” payment. Legal advice has been received that gives clear guidance on the required procurement process for this and final details on this project and how it fits in with an overall Energy Management strategy for the Council’s Housing stock will be brought to the next meeting of this Committee. Proposals set out in 3.2 e) above are separate to the broader project and aim to directly fund a small number of panels for which the Council can receive 100% of the FIT tariff available. Whilst the Council is not in a position to directly fund a significant number of panels, this small trial will allow officers to review technical and legal implications ahead of the wider project.

5 Major Repairs Reserve

- 5.1 The Major Repairs Reserve allows councils to plan investment of its annual Major Repairs Allowance (MRA) and to meet peaks and troughs in its asset management projections. It is essential that some provision is retained in the reserve to safeguard cash flows against the sensitivity of the programme (identifying unforeseen works, contract costs being higher than budgeted etc) and members approved the retention of £500,000 in this reserve as part of the 2010/11 programme. This programme proposes the same reserve be retained.

5.2 More importantly, it must be noted that whilst provision for replacement heating systems of £1m is included in the programme, projected need is £1.3 per annum. The retention of a reserve of £500,000 is therefore included in the programme to mitigate the risk of this underinvestment in such a key area of the programme, as well as to provide for issues referred to in 5.1 above.

6 Asset Sales

6.1 Works totalling £1,295,000 is included in the programme to be funded from receipts from completed sales. This programme does not include works to be funded from future sales (Barnes House and Sussex Street). Future receipts have already been programmed against investment in 2012/13 and beyond.

6.2 Programming of works funded from asset sales is subject to an ongoing review of the Council's treatment of receipts in accordance with Government "Capital pooling" rules. The Council is currently seeking clarification from the Department for Communities and Local Government that all transactions have been completed in accordance with those rules and any spend against this element of the programme will be deferred until this is received.

7 Disabled Adaptations

7.1 Provision for adaptations in the programme is recommended to remain at the 2010/11 original budget level of £750,000. This reflects the continuing increase in demand for these works. However, it is intended to bring a policy review report to the next meeting of this Committee to review options for reducing spend in this area. Under HRA Reform proposals, the Government has allowed provision for a spend of £60 per property per year for disabled adaptations for all council landlords. The City Council currently spends the equivalent to £150 per property and this is not considered sustainable in the medium to long term.

OTHER CONSIDERATIONS:

8 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

8.1 The proposals accord with the principles of making the best use of all available resources by continued clear financial planning.

9 RESOURCE IMPLICATIONS:

9.1 As set out in 2.1 above. It should be noted that to ensure an appropriate balance in the programme between revenue and capital investment, a revenue contribution to capital of £672,000 is required and will be included in the revised budget which will be brought to this Committee in September. This can be achieved within existing budget provision.

10 RISK MANAGEMENT ISSUES

10.1 The risk management issues relating to this report have been considered in detail as part of the Council's Asset Management Planning process. The Housing stock has been subject to independent survey to determine

investment requirements and the proposed programme takes full account of the findings of the survey.

- 10.2 Investment in boiler replacement continues to be less than recommended by the independent reviews that have been completed and this means the risk of increased boiler failure or of properties becoming non-decent cannot be ignored. However, the provision made to retain a reserve of £500,000 in the Major Repairs Reserve is considered a reasonable measure to mitigate these risks.

11 TACT COMMENT:

- 11.1 TACT feel that at this stage whilst the Council is awaiting further facts and figures from the government regarding self financing, that so much is up in the air, promises have been made and broken on many occasions irrespective of who was in government, so it is a case of wait and see until more is known.

- 11.2 Our main concern will of course be focussed on the Major Repairs, Renewals and Maintenance Programme.

- a) 3.1 Covers some of our concerns, and will not go away or be forgotten by TACT in the future.
- b) 3.2 Sales Receipts have their advantages, but when tenants in Winchester pay a higher rent than most councils; (as discovered at recent conferences) if dealt with fairly by the government should not be necessary, I will not go into that further for our feelings have been made clear regarding such matters.

- 11.3 Having a 30 year plan subject to annual update, will have its advantages no doubt, though I doubt many of the present tenants including my-self, will reap the benefits.

Appendices:

Appendix - The Major Repairs, Renewals and Maintenance Programme 2011/12

Maintenance Programme 2011/12 - Draft as 29 June 2011

Funding (Provisional)	HRA	HRA contribution to capital	MRA	Other Capital Approvals	MRA Reserve	Asset sales	Totals
Base (CAB2121 refers, along with Council minutes from Feb 2011)	3,808,965	672,000	3,943,000	135,000	500,000	1,295,000	10,353,965
Further Receipts from Sales	-	-	-	-	-	-	-
Total funding available for '11/12 (Provisional)	3,808,965	672,000	3,943,000	135,000	500,000	1,295,000	10,353,965

							Provisional budgets for 2011/12
Responsive Maintenance							
Voids	300,000	-	-	-	-	-	300,000
Gas attend tos	280,000	-	-	-	-	-	280,000
Main Term Contract	1,200,000	-	-	-	-	-	1,200,000
Other (non-Term)	263,965	-	-	-	-	-	263,965
Responsive	2,043,965	-	-	-	-	-	2,043,965
Voids Maintenance							
Change of Tenancy Costs	450,000	-	-	-	-	-	450,000
Decorating Vouchers	40,000	-	-	-	-	-	40,000
Voids	490,000	-	-	-	-	-	490,000
Cyclic Maintenance							
External Repairs & Painting	300,000	-	-	-	-	-	300,000
Heating Appliance Service Contract	370,000	-	-	-	-	-	370,000
E. & M. Service Contracts	120,000	-	-	-	-	-	120,000
Electrical Testing & follow-up works	150,000	-	-	-	-	-	150,000
Cyclic	940,000	-	-	-	-	-	940,000
Planned Maintenance & Enhancement Works							
Kitchen/bathroom renewals (non-void)	-	550,000	-	-	-	1,000,000	1,550,000
Kitchen/bathroom renewals (voids)	-	160,000	-	-	-	-	160,000
Void MRA type works (excl.kits/baths)	-	150,000	-	-	-	-	150,000
Window/door/screen replacements	-	150,000	100,000	-	-	-	250,000
External envelope works	-	-	328,000	-	-	-	328,000
Garage repairs & misc estate works	-	172,000	30,000	-	-	-	202,000
Asbestos removal	-	-	150,000	-	-	-	150,000
Internal works	-	-	150,000	-	-	-	150,000
Heating systems replacement & assoc.wks.	-	-	1,000,000	-	-	235,000	1,235,000
Lift refurbishment	-	250,000	-	-	-	-	250,000
Disabled Adaptation works	335,000	100,000	315,000	-	-	-	750,000
Upgrading Sewage Treatment Works	-	-	-	135,000	-	-	135,000
Consultancy support works/project fees	-	-	50,000	-	-	-	50,000
Planned Maintenance Staff costs	-	-	250,000	-	-	-	250,000
Forder Court upgrade	-	-	70,000	-	-	-	70,000
Fire Risk Assessments	-	-	80,000	-	-	-	80,000
Woolford Close - structural repairs	-	-	80,000	-	-	-	80,000
Winnall Flat roofs	-	-	375,000	-	-	-	375,000
Compton Post Office Stores	-	-	70,000	-	-	-	70,000
Solar PV	-	-	35,000	-	-	60,000	95,000
Planned	335,000	672,000	3,943,000	135,000	-	1,295,000	6,380,000
Total Budget for 2011/12 (Provisional)	3,808,965	672,000	3,943,000	135,000	-	1,295,000	9,853,965
Projected Unspent Resource at March 2012	-	-	-	-	500,000	-	500,000

	Budget	Anticipated spend as at 31/3/2012	Anticipated balance as at 31/3/2013
Total HRA (incl.contribution to capital)	£ 4,480,965	£ 4,480,965	£ -
MRA	£ 3,943,000	£ 3,943,000	£ -
Other capital	£ 135,000	£ 135,000	£ -
MRA reserve	£ 500,000	£ -	£ 500,000
Asset sales	£ 1,295,000	£ 1,295,000	£ -
	£ 10,353,965	£ 9,853,965	£ 500,000