



CABINET

12 December 2012

REPORT

Subject Heading:	Housing Revenue Account (HRA) Capital Programme 2013/14 to 2014/15 – elements of 2013/14 programme for approval in advance of full programme
Cabinet Member	Councillor Lesley Kelly
CMT Lead:	Cynthia Griffin Group Director Culture and Community
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Policy context:	Housing Strategy and Housing Revenue Account (HRA) Business Plan
Financial summary:	Allocation of a total of £15.4m capital resources, consisting of £12.9m of the £15m 2013/14 Decent Homes Grant allocation, and £2.4m of the £17.4m of additional HRA capital resources available in 2013/14, to enable consultation and negotiations with tenants, leaseholders and contractors to commence before year start, thus easing deliverability of, and efficiencies within, the 2013/14 HRA Capital Programme
Is this a Key Decision?	Yes
Is this a Strategic Decision?	No
When should this matter be reviewed?	n/a
Reviewing OSC	Towns and Communities

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input checked="" type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input type="checkbox"/>

SUMMARY

This report seeks approval of certain key elements of the 2013/14 Housing Revenue Account (HRA) capital programme in advance of recommendations on the full programme which will be brought to Cabinet later in this financial year together with the proposed HRA revenue budget for 2013/14.

Early approval of resources for particular elements of the Decent Homes programme, such as window replacements and new kitchens and bathrooms, is sought. A beneficial result of the introduction of HRA self-financing this year and confirmation of future years' Decent Homes Grant, is that the Council is in the position for the first time ever of having a clear view on future housing capital availability without having to rely on the Annual Subsidy Determination. This would typically not be available until late December.

This ability to forward plan means that the Council can commit capital resources earlier than previously, thus allowing commencement of consultation and negotiation with tenants, leaseholders and contractors before year end, ready for expenditure in the first quarter of next year. Until now, approval of the capital programme in February and March at the earliest has resulted in a lull in capital programme delivery in the first quarter of the financial year while the necessary pre-contract consultation and negotiations are completed. This can put in-year delivery at risk.

RECOMMENDATIONS

1. That Cabinet approves the following allocation of capital resources within the HRA Capital Programme for 2013/14, with onward transmission to Council for approval:

	£'000s in 2013/14
Kitchens	7,900
Windows	1,600
Bathrooms	1,365
Non-traditional houses	1,467
Tower block refurbishment (<i>for</i>)	600

<i>New Plymouth and Napier Houses)</i>	
Tower block works beyond Decent Homes <i>(for New Plymouth and Napier Houses)</i>	900
Planned preventative maintenance	1,500
Total	15,332

REPORT DETAIL

1.1 Background

To date, the HRA capital programme for the following year has always been taken to Cabinet for approval, and onward transmission to full Council, together with the HRA budget recommendations in February each year.

Until the introduction of HRA self-financing, the Council was largely dependent on the annual subsidy determination to calculate available resources, both capital and revenue on a year-by-year basis. As this figure was not released by the government until late in December each year, officers could not seek member approval of the following year's capital programme before February Cabinet, this being the earliest available Cabinet meeting after release of the annual subsidy determination.

With the introduction of HRA self-financing in 2012/13 and confirmation of future years' Decent Homes grant, the Council is now in the position of being able to accurately predict in advance what capital resources will be available.

While there are clearly benefits in considering capital and revenue together, agreeing the full details of the HRA Capital Programme so late in the preceding year causes considerable problems in capital delivery, most notably:

- section 20 consultation with leaseholders affected cannot commence until budgets are approved. As this process can add one to three months to the letting of contracts, it means that many contracts for communal works, for example window replacements in flatted blocks, cannot start until the second quarter of the financial year. This thus constrains the time in which significant capital programmes can be delivered
- programmes that run across years, for example, kitchen and bathroom replacements, have to halt at year end/year start when it would be cost-effective to let contracts for the following year before year start, although of course, expenditure would not be incurred before year start. This enables contractors to gear up for delivery in quarter 1 and/or keep operatives on-site, and can enable more cost-effective quotes as the risk of stopping the programme in the subsequent year is removed.

The combined impact of the above is that every year, the HRA capital programme comes to a virtual halt as contract matters are dealt with during the first quarter. This is disruptive and cost-inefficient.

Therefore, this report seeks approval for resource allocation to key elements of the 2013/14 HRA Capital Programme.

The full 2013/14 HRA Capital Programme and indicative 2014/15 Programme will be presented to Cabinet in February together with the HRA revenue budget for 2013/14 as in customary practice.

1.2 Proposed HRA capital resource allocation for 2013/14 in advance of approval of the full 2013/14 Programme

At its meeting of 8 February 2012, Cabinet considered and noted the draft HRA Capital Programmes for 2013/14 and 2014/15. As discussed above, until this point in time, it has not been possible for members to approve capital schemes in advance of confirmation that the resources would be available. HRA self-financing and confirmation of Decent Homes Grant has changed this.

It is now proposed to seek approval of the allocation of a proportion of the Decent Homes Grant and the resources within the HRA Business Plan which can be converted to capital to a number of schemes for expenditure in 2013/14. The amounts for which approval is now sought are either equal to or less than the amounts noted by Cabinet at the February 2012 meeting.

Thus, Cabinet is not being asked to approve any variations to capital priorities previously noted, but to allocate the resources within sufficient time of year start so as to enable expenditure to commence in quarter 1 of 2013/14.

The table below lists the elements for which resource allocation is now requested, making clear the allocation already noted by Cabinet in February 2012, the amount for which approval is now sought, and the reason why officers believe earlier than usual allocation will be beneficial.

Decent Homes works for which 'early' approval is being sought

Element	Amount listed in 2013/14 capital programme noted by Cabinet in February 2012	Amount for which approval is now being sought	Reason for 'early' approval being sought
	£'000s	£'000s	
Decent Homes Works			
Kitchens	7,917	7,900	Substantial pre-start survey work, including an asbestos survey, required
Windows	1,632	1,600	Section 20 consultation needed with leaseholders
Bathrooms	1,365	1,365	Substantial pre-start survey work, including an asbestos survey, required
Non-traditional houses	1,467	1,467	Substantial pre-start survey work, including an asbestos survey, required Review of the structural implications required before start

Tower block refurbishment (for New Plymouth and Napier Houses)	4,125	600	Significant amount of pre-procurement design and consultation required Section 20 consultation needed with leaseholders
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Decent Homes Summary	£'000s
Total for all Decent Homes works included in the draft 2013/14 Capital Programme noted by Cabinet in February 2012	23,656
Total for the Decent Homes works covered in this Cabinet report included in the draft 2013/14 noted by Cabinet in February 2012	16,506
Total for the Decent Homes works for which 'early' approval sought in this Cabinet report	12,932

Non-Decent Homes works for which 'early' approval is being sought

Non-Decent Homes Works			
Tower block works beyond Decent Homes (for New Plymouth and Napier Houses)	922	900	Significant amount of pre-procurement design and consultation required Section 20 consultation needed with leaseholders
Planned preventative maintenance	1,500	1,500	Section 20 consultation needed with leaseholders

Non-Decent Homes Summary	£'000s
Total for all Non-Decent Homes works included in the draft 2013/14 Capital Programme noted by Cabinet in February 2012	7,124
Total for the Decent Homes works covered in this Cabinet report included in the draft 2013/14 noted by Cabinet in February 2012	2,422
Total for the Decent Homes works for which 'early' approval sought in this Cabinet report	2,400

1.3 Reasons and Options

The reasons for seeking approval of certain elements of the 2013/14 HRA Capital Programme now, rather than waiting for full HRA Budget report due in February 2013 are:

- section 20 consultation with leaseholders affected, that is, the statutory right leaseholders have to be consulted about works for which they will be charged, cannot commence until budgets are approved. As it is governed by legislation and can have a direct impact on the choice of contractors and/or specification of works, the section 20 process must be completed prior to the letting of a contract, and can take from one to three months to complete. The contracts to replace windows in flatted blocks and carry out more substantial works to tower blocks require section 20 consultation. Approval of these elements of the HRA Capital Programme at this stage will allow the section 20 consultation to be

completed before the beginning of 2013/14, thus allowing work to commence in quarter 1. This overcomes the lull in works otherwise typical in quarter 1

- programmes that run across years, for example, kitchen and bathroom replacements, have to date had to halt at year end/year start because resource approval is only given in February / March. It is more cost-effective to let contracts for the following year before year start, although of course, expenditure would not be incurred before year start. This enables contractors to gear up for delivery in quarter 1 and/or keep operatives on-site, and can enable more cost-effective quotes as the risk of stopping the programme in the subsequent year is removed.

The other options are:

- (a) wait until February 2013 to seek Cabinet and Council approval of the 2013/14 HRA Capital Programme – REJECTED because capital resources in the HRA are known now and so to delay *all* elements of the Programme until February would mean that the Council would be continuing to needlessly delay expenditure within the Capital Programme until the second quarter of the next financial year as it has had to do until now
- (b) seek approval now of the *entire* 2013/14 HRA Capital Programme – REJECTED because although there is greater certainty about capital resources for next year, the exact allocation across all the competing priorities within the HRA would be best achieved by aligning the final full programme with the HRA budget-setting process. Put simply, the time and financial efficiencies of earlier than usual approval of the programme only applies to those elements considered in this report.

IMPLICATIONS AND RISKS

2. Financial implications and risks:

There is sufficient capital available to fund the elements of expenditure proposed in this report. Notably, the Council received confirmation in a letter from the Greater London Authority dated 6 September 2012 of £15m of Decent Homes Grant for 2013/14, along with confirmation of the final tranche of £23.581m of Decent Homes Grant in 2014/15. The Decent Homes expenditure covered in this report totals £12.932m in 2013/14 thus, it is clear that Grant is available in full to cover this.

It should be noted that further Decent Homes works will be included in the full HRA Capital Programme due to be presented in February 2013. That report will propose that these works will be funded from the remainder of the Decent Homes Grant for 2013/14, and an element of Revenue Contribution to Capital Outlay, RCCO, and other resources in the Major Repairs Reserve, MRR.

For avoidance of doubt, the £12.932m requested in this report for Decent Homes works does **not** constitute the full Decent Homes programme in 2013/14. The full programme is likely to total £23.7m, as listed in the Decent Homes Summary table in section 1.2 above, and will be detailed in full in the February 2013 Cabinet report.

The non-Decent Homes works for which capital resources are here requested total £2.4m. These can be funded from £17.399m resources available in the HRA Business Plan (additional to the Decent Homes Grant) for capital outlay, and already counted for this purpose within the Plan as approved by Cabinet on 8 February 2012.

In summary, the total allocation being requested in this report is £15.332m, consisting of £12.932m for Decent Homes, and £2.4m for other works.

For avoidance of doubt, Cabinet are not being asked to allocate any HRA capital resources in addition to those included in the draft 2013/14 HRA Capital Programme as noted by Cabinet on 8 February 2012. Furthermore, there is no capital liability falling to the Council's capital resources within the General Fund.

3. Legal implications and risks:

Any local authority that owns housing stock is obliged to maintain a Housing Revenue Account and, under the Localism Act 2011, manage and project the resources within the HRA through the development and maintenance of an HRA Business Plan. This Plan was approved by Cabinet on 8 February 2012. The proposed capital expenditure covered in this report uses resources accounted for within this HRA Business Plan.

4. Human Resources implications and risks:

None arising directly from this report.

5. Equalities implications and risks:

The matters covered in this report relate solely to the allocation of capital resources already noted for expenditure in 2013/14 by Cabinet at its meeting on 8 February 2012, therefore, no further equalities analysis has been carried in relation to this particular report. That said, equalities analyses will be carried out, as required, on key aspects of the 2013/14 HRA revenue and capital budget-setting process and will inform the HRA Budget to be presented to Cabinet in February 2013.

BACKGROUND PAPERS

Letter from the Greater London Authority, dated 6 September 2012, confirming the Council's 2013-15 Decent Homes Grant allocation.