



Report to Assets, Development and Investment Committee

18 February 2016

Title: Proposed Capital Programme 2016/17-2020/21

Report of: Director of Customers and Communities

Purpose of summary

1. To provide the committee with an update on the proposed Capital Programme for the period 2016-17 – 2020/21, which was approved by Gateshead Council's Cabinet on 9 February 2016.

Background

2. As part of the self-financing process, it is important to balance the capital expenditure needs with the resources that are available within the Housing Revenue Account (HRA).
3. Gateshead Council approved a five year Housing Capital Programme for the period 2015/16 to 2019/20 on 5 February 2015. This programme is subject to ongoing review to ensure that the planned investment remains a high priority and can be supported by the resources available within the HRA.
4. The housing capital programme is a rolling programme which is funded by revenue raised from rents. As a result of the Government policy to reduce rents the capital programme has been reduced in the coming years. The proposed allocation of resources from the HRA to support a Capital Programme for the next five years (2016/17 to 2020/21) is set out in the appendix.
5. The reductions in the projected level of rental income over the medium term have meant that previous investment plans have been re-prioritised and some of the proposed allocations have been re-profiled and reduced in order to reflect the resource constraints. Based on the existing HRA Business Plan and taking account of the proposed £5.7m savings included, it is estimated that £94m will be available to support capital investment within the HRA over the next five years. The position regarding the HRA balance will continue to be reviewed to determine whether any additional capital investment can be supported
6. The planned investment in the Housing Capital Programme is flexible and is subject to ongoing review which is informed by the outputs from stock condition surveys.
7. The proposals approved by Cabinet include: -

- A Housing Capital Programme totalling £94.4m over five years, which will be kept under regular review by Cabinet.
 - Over £59m of investment in undertaking estate based major works in accordance with the Decent Homes standard, including the replacement of kitchens, bathrooms and electrical improvements in addition to a £4.5m programme to replace back boilers in a phased manner following a change in legislation and almost £4m to continue the rolling window replacement programme.
 - Almost £17m of investment in general stock improvements, including the renewal of lifts, communal electrics and investment in external insulation to improve thermal efficiency of existing dwellings as well as the continuing provision of major and minor adaptation works to dwellings.
 - Over £13m of investment in exceptional extensive works, including £4.5m to replace the façade and boilers within Regent Court as well as a proposed contribution towards an £11m energy efficiency scheme seeking to undertake improvements to some of the Council's tower blocks.
 - £3m of potential investment relating to the delivery of contingent major works which deal with additional improvements that have been identified outside of the pre-planned schemes, such as additional boiler replacements.
 - £2m is retained to complete the decommissioning of former estates as part of the ongoing Estate Regeneration projects at Clasper Village, Bleach Green and Dunston.
8. The following principles continue to be applied to assist in prioritising capital investment within the HRA:
- Health and safety, safeguarding and statutory requirements.
 - Investing in identified decent homes improvements, including window replacement.
 - Improving the sustainability and energy efficiency of the housing stock; and
 - Estate regeneration.
9. Opportunities continue to be explored to attract external funding, to undertake additional stock improvements and energy efficiency improvements. These works help to increase the sustainability of the Council's housing stock whilst ensuring the HRA is not required to meet the full cost of the scheme given the constraints on the resources within the HRA.
10. The proposed programme includes investment in innovative energy efficiency improvements to Harlow Green and Bensham Court tower blocks as part of a proposed £11m project to provide low carbon, low cost heating systems.
11. The proposals will include undertaking fabric improvements and implement a Combined Heat and Power (CHP) heating network at Harlow Green and a Ground Source Heat Pump system at Bensham Court and requires a total contribution of £4.3m (including window replacement) from the HRA to support the scheme.
12. The ability to proceed with the project as envisaged will be dependent upon the success of an ERDF funding application, which is seeking £3.3m of external resources. Alternative delivery options will be considered in the event that the current funding application is not successful.
13. The capital programme and the priorities within, continue to be developed and managed by the Investment and Development service. Schemes are prioritised based on stock condition, repairs history and performance data

14. In order to continue ensuring that spend is aligned to priorities, a rolling programme of stock condition surveys will be undertaken, building on the 10% sample that was carried out during 2015. This will ensure asset data accurately reflects the investment needs of the stock.
15. Budget headings within the programme have been re-classified to align with best practice and CLG guidance. This aligns expenditure with the categories identified by Ridge in their stock condition sample.
16. The overriding priority in terms of investment is the drive to maintain sustainable properties in line with the Decent Homes Standard. A Decent Home is defined by the following criteria:
 - Criterion A: the dwelling meets the Housing Health & Safety Rating System (HHSRS) minimum standard for housing
 - Criterion B: the dwelling is in a reasonable state of repair
 - Criterion C: The dwelling has reasonably modern facilities and services
 - Criterion D: the dwelling provides a reasonable degree of thermal comfort
17. The revised headings reflect that investment across a range of budgets contributes towards maintaining the stock to a decent standard.
18. In the face of a reduced but balanced HRA capital programme, it will be challenging to maintain decency to the levels achieved under the decent homes programme. The investment projections that Ridge identified were far in excess of the available budget. In order to ensure that re-investment is properly targeted and prioritised over the next five years, a rolling programme of stock condition surveys, is strongly recommended so that works programmes can be prioritised on a “worst first” basis going forward.
19. Based on the stock condition data that is being gathered, a revised baseline position for decency will be reported at year end. This will need to be monitored going forward to ensure investment remains targeted in the right areas.

Links to Values

20. This report relates to the following company values: -
 - Being Customer focused
 - Being Open and honest
 - Being Accountable

Impact on tenants

21. Having concluded the Decent Homes programme in 2011, we continue to invest in maintaining decency of the housing stock to protect the asset and to benefit customers.
22. The standards laid down by the decent homes standard continue to inform the approach to investment.

Health Implications

23. There are no adverse health implications arising out of this report. The capital programme will enable us to ensure that properties remain free from hazards under the HHSRS.

24. Improvement works that will be delivered throughout the next five years, will have a significant impact on the health and wellbeing of customers, in particular works to improve the thermal efficiency of properties through boiler and window replacements and insulation works. A specific budget has been included to replace boilers that will be potentially deemed as being unsafe to maintain, following a change in regulations that comes into effect in April 2016.

Environmental Implications

25. Through the maintaining decency programme and the one off heating replacement works, properties that have the oldest most inefficient heating systems will receive replacement boilers. The energy efficiency works along with window replacement works will reduce substantial carbon emissions through reductions of heating usage.

Risk Management Implications

26. The failure to maintain decency has been identified as a strategic risk and controls and future actions have been agreed to mitigate the risk. The Strategic Risk Register is reviewed annually by the senior management team and monitored by the Board.

Financial Implications

27. The capital programme has been revised in line with the HRA business plan and the revised projections based on rent reductions and welfare reform impacts.

Equality and Diversity Implications

28. The Equality Act works delivered will improve accessibility to stock that we manage.

Value for Money Implications

29. We will continue to manage the investment works to ensure that the contractors provide value for money in their approach to the works.

Consultation carried out

30. Customers and locally elected members will be consulted on any capital schemes that are delivered under this programme.

Recommendation

31. The views of the committee are sought on the revised five year capital programme.

Capital Programme 2016/17 to 2020/21

Project	16/17 (£'000)	17/18 (£'000)	18/19 (£'000)	19/20 (£'000)	20/21 (£'000)
Improvement Works					
Lift Replacement/Refurbishment	700	500	500	500	500
Replacement of Communal Electrics	250	250	250	250	250
Boiler Plant Renewal	200	200	200	300	300
External Wall Insulation Works to Non-Traditional Properties	455	210	0	400	0
T-fall Insulation	150	150	120	0	0
Warden Call Renewal	250	250	250	250	250
Door Entry System Upgrades	250	250	250	250	250
Adaptations	1,500	1,500	1,500	1,500	1,500
Total Improvement Works	3,755	3,310	3,070	3,450	3,050
Exceptional Extensive Works					
Equality Act Works - Multi Storey Flats	250	250	250	250	250
Equality Act Works - Communal Lounges	50	50	50	50	50
Fire Safety Works - General	100	100	100	100	100
Tower Block Energy Efficiency Improvements	2,000	285	3,265	0	0
Regent Court	1,500	1,500	1,500	0	0
Risers (Services)	400	400	400	400	400
Total Exceptional Extensive Works	4,300	2,585	5,565	800	800
Catch Up Works and Major Future Works					
Decent Homes - Investment Programme	6,500	6,500	6,750	7,000	7,500
Decent Homes – Backlog/Ad-hoc Works	300	300	300	350	350
Back Boiler Renewal	1,000	1,000	1,000	1,000	500
Programme Management	1,000	1,000	1,000	1,000	1,000
Strategic Maintenance	2,000	2,000	2,000	2,000	2,000
Window Replacement	750	750	750	750	750
Total Catch Up Works and Major Future Works	11,550	11,550	11,800	12,100	12,100
Contingent Major Works					
One-off Heating Replacement	450	475	475	500	600

Project	16/17 (£'000)	17/18 (£'000)	18/19 (£'000)	19/20 (£'000)	20/21 (£'000)
Timber Replacements	100	100	100	100	100
Total Contingent Major Works	550	575	575	600	700
Estate Works					
Estate Regeneration	2,115	0	0	0	0
Total Estate Works	2,115	0	0	0	0
Total Planned HRA Investment	22,270	18,020	21,010	16,950	16,650