

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 29 JULY 2014

Title of report	ADDITIONAL COSTS OF THE DECENT HOMES PROGRAMME 2014/2015
Key Decision	<p>a) Financial Yes</p> <p>b) Community Yes</p>
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Purpose of report	To outline the additional costs of the Decent Homes Programme 2014/15, to consider the Policy Development Group's comments and to consider a recommendation to Council as a departure from the budget
Reason for Decision	To make recommendations to Council for funding to complete the Decent Homes Programme.
Council Priorities	Value for Money Homes and Communities
Implications:	
Financial/Staff	The implications of the decision are covered in the report
Link to relevant CAT	Not applicable
Risk Management	The risks associated with the decision are covered in the report

Equalities Impact Assessment	The implications of the decision are covered in the report
Human Rights	Not applicable
Transformational Government	Not applicable
Comments of Deputy Chief Executive	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	On the advice of Bevan Brittan this report is satisfactory
Consultees	Housing Revenue Account Business Plan Project Board
Background papers	<p><u>Additional Costs of the Decent Homes Improvement Programme 2014/15 (Cabinet - 4 March 2014)</u></p> <p><u>Call-in of Cabinet decision of 4 March 2014 entitled 'Additional Costs of the Decent Homes Programme 2014/15' (Policy Development Group - 12 March 2014)</u></p>
Recommendations	<p>THAT CABINET -</p> <ol style="list-style-type: none"> 1. NOTES THE REDUCTION IN THE NUMBER OF GRANT ELIGIBLE PROPERTIES AND THE CONSEQUENT REDUCTION IN BACKLOG FUNDING GRANT AS DETAILED IN SECTION 4.0 OF THIS REPORT, AND THE PROJECTED ADDITIONAL COST OF MAKING ALL IDENTIFIED NON DECENT HOMES MEET THE DECENT HOMES STANDARD BY MARCH 2015. 2. CONSIDERS THE OUTCOME OF THE POLICY DEVELOPMENT GROUP'S CONSIDERATION OF THIS MATTER AT THEIR MEETING ON 16 JULY 2014. 3. RECOMMENDS TO COUNCIL THE REVISED 2014/15 HOUSING CAPITAL PROGRAMME AND HRA BUDGET AS DETAILED IN APPENDIX A AND B OF THIS REPORT TO FUND THE COMPLETION OF ALL THE REQUIRED WORK, AND THE AMENDED PRUDENTIAL INDICATORS DETAILED IN APPENDIX C AS A DEPARTURE FROM THE CURRENT BUDGET

1.0 BACKGROUND

- 1.1 This report will advise Cabinet of the outcome of the detailed evaluation of the number of newly identified non decent properties, the projected cost of completing works to them, and the funding sources for completing this work This includes the draft revised Housing Revenue Account (HRA) Budget (as Appendix A), draft revised Capital Programme (as Appendix B) and draft revised prudential indicators (as Appendix C).
- 1.2 In addition it will also explain the implications of the data analysis completed as part of the end of year process following the successful completion of the 2013/14 Decent Homes Improvement Programme, and the effect of this on our Decent Homes Backlog Funding Grant allocation for 2014/15.
- 1.3 The impact of the funding implications of these matters on the Housing Revenue Account Business Plan is addressed in a separate paper on the agenda for this meeting of Cabinet.

2.0 DELIVERY OF THE DECENT HOMES PROGRAMME TO DATE

- 2.1 The Decent Homes Improvement Programme (DHIP) for 2013/14 has recently been completed, with a total of 2,118 Council tenants homes having now been made decent over two years using a combination of Homes and Communities Agency (HCA) backlog funding grant (£12.2m) and North West Leicestershire District Council funding sources during 2012/13 and 2013/14. Customer satisfaction with the completed works is 97.5% for Q4 of 2014/15 against a target of 95%.
- 2.2 The Homes and Communities Agency undertake an annual Value For Money benchmarking comparison exercise, to allow all Council's in receipt of Decent Homes Backlog Funding to compare their costs for specific items of work. An analysis of this cost information is attached as Appendix D and demonstrates strong performance in terms of low costs for 2012/13 and 2013/14. 2014/15 costs are also included in the appendix for illustrative purposes although these will not be able to be compared with others until the end of the 2014/15 programme when all final costs are declared.

3.0 ADDITIONAL NON DECENT HOMES

- 3.1 Further extensive work has been undertaken since the completion of the 2013/14 improvement programme at the end of March 2014 to reconcile details of the works completed to tenants' homes with both our new stock condition information, the original backlog funding bid, and the level of funding available.
- 3.2 The stock condition surveys we have been completing each year have now given us a comprehensive data base of both all the work completed, and that still required to all tenants' homes. This process has resulted in us refining our understanding of the decency position of each property, and as a result of this there have been a number of changes in the decency status of many homes. This has included both homes that were believed to be non decent that were actually found to be decent, and homes believed to be decent that were actually non decent. In addition the surveys have clarified the scope of work required at each property, which has minimised the number of variations identified between the work we order and the work actually required at each address

when the contractors commence. This makes expenditure more predictable, and reducing the opportunity for contractors to charge extra for unplanned works.

- 3.3 At the time of preparing the previous reports, a projected 296 newly identified non Decent Homes had been identified, which at a projected average cost per unit of £8,014 (the average cost per property of the 2014/15 programme) would have required additional funding of £2,372,144. The detailed property reconciliation previously referred to has resulted in an additional nine properties being identified, which therefore increases the total number to 305, requiring a revised projected funding amount of £2,444,270 (£8,014 multiplied by 305 properties).
- 3.4 There is no formal requirement for the work to these homes to be completed by March 2015. This means we could simply defer works until the 2015/16 improvement programme, and make an appropriate provision within the 2015/16 capital programme to fund this.
- 3.5 Alternatively, Cabinet may wish to recommend to Council that these properties are added to the decent homes improvement programme for 2014/15 and if this is the preferred option, additional funding of up to £2,444,270 will be required. The potential sources of this funding will be examined in a subsequent section of this report.

4.0 2014/15 DECENT HOMES BACKLOG FUNDING GRANT

- 4.1 The original bid for backlog funding was produced in 2010, and was based on a projected number of non decent homes from our housing stock condition information held at the time. This included an assessment of the number of properties that would fail the decent homes standard before April 2012 (which were eligible for backlog funding grant) and a number that would fail after April 2012 (which were not eligible for backlog funding grant).
- 4.2 As part of the property details reconciliation completed at the end of the 2013/14 improvement programme, we have identified that a net figure of 91 homes that we believed would qualify for backlog funding grant from information available at the time of the bid, but actually failed the standard after April 2012, and are therefore not eligible for grant.
- 4.3 As a result of this, following negotiations with the HCA our grant allocation for 2014/15 will be adjusted to reflect the reduction in grant eligible property numbers. This will result in our total grant for 2014/15 being reduced by £618,895 (average grant level of £6,801 per property, multiplied by 91 homes). The impact of this on the three year grant funding is shown in the table below.

Original and Revised Decent Homes Backlog Funding Grant

Year	Original grant funding	Revised grant funding
2012/13	£3.69m	£3.69m
2013/14	£8.5m	£8.5m
2014/15	£8.56m	£7.94m
Total	£20.75m	£20.13m (3% reduction)

4.4 As these 91 properties failed the decent homes standard after April 2012, there is no requirement for them to be improved by March 2015, when the decent homes improvement programme ends. However, if Cabinet was minded to recommend to Council that the work was completed, an additional £618,895 would be required.

5.0 FUNDING OPTIONS AVAILABLE

5.1 The total funding available from the current approved/revised capital programme to complete the 2014/15 Decent Homes Improvement Programme is detailed in the table below.

Approved and Revised Budget for Decent Homes Improvements 2014/15

Funding Source	Approved Budget	Available Budget	Required budget
Decent Homes Backlog Funding	£8,560,000	£7,941,105*	£7,941,105*
NWLDC funding provision (inc Asbestos and Enabling works)	£2,291,667	£2,291,667	£2,291,667
Approved additional funding for cost increases in the 2014/15 programme	£1,650,058	£1,650,058	£1,650,058
Additional funding - 305 newly identified non decent homes (305 @ £8,014)			£2,444,270
Additional funding - 91 non decent homes that do not qualify for grant (91 @ £6,801)			£618,895
Total	£12,501,725	£11,882,830	£14,945,995

*reduced to reflect reduction in the number of grant eligible properties.

5.2 If it is decided to make sufficient financial provision to complete improvement works to all non decent homes by March 2015, additional funding will be required as detailed in the table below.

Available / Required Funding for Completion of Non Decent Homes in 2014/15

	Available budget (revised)	Required Funding (to complete all properties)	Difference
2014/15 Decent Homes Improvement Programme	£11,882,830	£14,945,995	-£3,063,165

- 5.3 In the event of the decision being taken to complete works to all the non decent homes not eligible for grant funding and the newly identified non decent homes, a total of £3,063,165 will therefore be required
- 5.4 It is important to note that this amount will provide sufficient funding to complete all the required works to all the properties in the programme, however it is not anticipated that we will be able to complete the required works to all of the properties due to tenants refusing works or property sales through the right to buy scheme. Where property numbers reduce, we will either have a reduction in our grant funding for grant eligible properties (pre April 2012 decent homes failures) or there will be a corresponding underspend at the end of the 2014/15 financial year on the approved budget for properties we are funding from our own budget. As we cannot accurately predict the number of refusals or sales, and whether these will be grant eligible or funded by ourselves, it is felt the most prudent approach is to make financial provision to complete the entire programme, although noting that the whole budget may not be required.
- 5.5 Any properties where work is not completed will require improvement at some subsequent point, and this will require an appropriate financial provision to be included in subsequent years' capital programmes. In order to maximise the amount of grant funding we can access, every effort is being made to work with tenants to secure access to complete the required work during 2014/15.
- 5.6 If grant eligible properties are sold, or the tenants refuse work, no expenditure is incurred, so any reduction in grant income has no net effect on the programme budget.
- 5.7 There are a number of potential sources for the required funding of £3,063,165. In determining the most appropriate source of funding (should it be required) we have taken advice from our retained treasury management advisors Arling Close, and having evaluated the options available, it is currently recommended that the funding is obtained from the following sources
- £613,451 2014/15 Capital Programme, unallocated contingency.
 - £1,206,359 - Capital Programme, underspend from 2013/14 (subject to confirmation as part of the final accounts process)*.
 - £1,243,355 - HRA Balances, through An additional Revenue Contribution to Capital Outlay (in addition to the £1,679,058 already included in the approved HRA and Capital Programme budgets for 2014/15).
 - £3,063,165 – Total required funding.

*In the event that the 2014/15 Decent Homes expenditure is less than projected less will be needed to be taken from HRA balances.

This approach will ensure we have available the financial capacity to complete all the required works to tenants homes.

- 5.8 It is important to note the use of additional HRA Balances will affect the HRA Business Plan in the medium to longer term, and a revised debt management approach may be

required. This is being evaluated and will be considered as part of the 2015/16 budget setting process.

- 5.9 If the proposed funding of the required work is approved, it will require an amendment to the approved HRA budget, Capital programme and prudential indicators. Details of the amended budgets and indicators are attached as Appendix A, B, and C.

6.0 POLICY DEVELOPMENT GROUP

- 6.1 Following the call in of the previous Cabinet decision relating to the additional costs of the Decent Homes programme, this matter was considered by the Policy Development Group on the 16 July 2014. A draft of the minutes is attached as Appendix E.

Cabinet will be updated with any officer views and advice on issues raised by the Policy Development Group.

7.0 CONCLUSION

- 7.1 Additional costs have been identified in relation to both newly identified non decent homes, and homes found not to be eligible for decent homes backlog funding grant following the reconciliation of stock condition information and works completed in the 2013/14 improvement programme.
- 7.2 As a result of these changes up to £3,063,165 will be required to provide the budget capacity to make all tenants' homes decent by March 2015. This report identifies the recommended source of this funding, and Cabinet will need to recommend the amended budgets attached as appendices to this report to Council on the 16 September 2014 if they wish the work to be completed as a departure from the current budget.