

Meeting of the Council – 25th February 2008

Report of the Cabinet

Deployment of Resources: Housing Revenue Account and Public Sector Housing Capital

Purpose of Report

1. To consider the recommendations of the Cabinet:
 - To set the Housing Revenue Account (HRA) budget for 2008/09 in the light of the latest Government determinations for housing finance and our latest spending and resource assumptions (taking account of the decisions made by the Cabinet under delegated powers).
 - To set a capital expenditure budget for the improvement and programmed maintenance of the Council's housing stock in 2008/09, 2009/10 and 2010/11.
 - To review the medium-term financial strategy for the HRA and Public Sector Housing Capital.

Background

2. The HRA is a "ring-fenced" revenue account and deals with landlord functions associated with public sector housing¹. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

Rent increase

3. In December 2000 the Government issued a new *Guide to Social Rent Reforms*. This guidance set out a method of restructuring to remove unjustifiable differences between council rents and the rents of registered social landlords (*RSLs*) over a period of ten years. Our last six rent increases were calculated using the formula in the guidance and were as follows:

¹ The Housing General Fund deals with private sector issues, such as renovation grants and general housing advice, and is included in another report on this agenda. The separation of expenditure and income between the HRA and the General Fund complies with government guidance.

- October 2002, average increase £1.65.
 - October 2003, average increase £1.58.
 - October 2004, average increase £2.00.
 - November 2005, average increase £2.11.
 - August 2006, average increase £2.71
 - June 2007, average increase £2.91
4. Rent restructuring is supported by the Government's subsidy system which assumes that councils apply the formula rent increase in April and that the additional income is available to pay into a national pool. Up until 2005, Dudley did not actually increase its rents until the Autumn. It followed that for the first part of every year, the value of rent increases was paid into the national pool without the cost being passed on to tenants. Moving rent increases into line with the Government's timetable increases the resources available to spend on services to tenants.
 5. In March 2006, a joint meeting of the five Area Housing Panels was held to consult with members and tenants' representatives on a number of matters including options to change the date of the rent increase. Taking account of the views of the Area Housing Panels, the Cabinet agreed to rent increases in August 2006 for 2006/7 and June 2007 for 2007/8. It is now proposed that the next increase be on 14th April 2008 and that all subsequent rent increases should be in April of each year.
 6. Applying the Government's rent formula to the next increase generates an average increase of £3.34 (5.47%) with a maximum increase of £5.31. The range of increases is as follows:

RANGE OF RENT INCREASES

Range of rent increase	Proportion of properties affected
£0.00 to £2.00	0.0%
£2.01 to £2.50	2.17%
£2.51 to £3.00	23.98%
£3.01 to £3.50	36.39 %
£3.51 to £4.00	30.72%
£4.01 to £5.31	6.74%

7. A letter was sent to the Dudley Federation of Tenants' and Residents' Associations (DFTRA) on 31st January 2008 outlining the Government's guidance and the effects in terms of the next rent increase. The views of DFTRA were reported at the Cabinet meeting.
8. In addition to the rents discussed above, we currently apply service charges in certain properties in respect of heat, light and the use of a communal aerial. All of these charges will be increased by 3.9% in line with the inflation factor used in determining general rents.

9. The Council currently provides, within its general housing stock, a number of units of furnished accommodation for which a charge of £19.60 per week is made. It provides six units of accommodation for homeless people in Lye for which rent, management charges and service charges are applied (a two-bedroom flat at £150.15 and five one-bedroom flats at £144.62). There is one house for which a garden maintenance charge of £15.96 per week is made. All of these charges will be increased by 3.9% in line with the inflation factor used in determining general rents.
10. The Council offers laundry tokens for sale for the use of tenants at five high rise blocks (two in Brierley Hill and three in Dudley). Charges will increase from the current rates of £1.30 (Brierley Hill) or £1.39 (Dudley) to £1.60 per token, to cover the increase particularly in electricity costs. In Brierley Hill, the tokens are sold by the local shopkeeper, who has requested a small commission in future for providing this service. This is an effective and efficient arrangement as tenants can purchase tokens easily, and the concierge does not have to handle and bank cash. The charge to the shopkeeper will be set at £1.50, allowing him 10p commission on each token. The feasibility of operating a similar arrangement in Dudley is being considered.
11. Pitch licences at Oak Lane have been frozen since November 2005, pending the completion of improvements including a new utility block. This work is now expected to be completed during 2008-09 and the licences will be increased by 3.9% from 14 April, 2008 in line with the inflation factor used in determining general rents.

Garage rents, garage plots and access agreements

12. Following consultation with the Area Housing Panels and subsequent decisions by the Cabinet, garages have been categorised as Red, Amber or Green, based on their condition. Differential rents have been set dependent on category and area within the Borough, and these have been used to sustain locally determined levels of investment in the repair and improvement of garages.
13. The last general increase of garage rents (i.e. for all areas) was approved by the Executive in September 2004 and implemented in November 2004. At that time it was proposed that subsequent general inflationary increases would be made every three years, and in February 2007, the Cabinet agreed that the next general increase, which would ordinarily be due in November 2007, be postponed until April 2008 in line with proposals for rent increases on dwellings.
14. Since November 2004, there has been significant further investment in garage improvements, resulting in rent increases over this period, as shown in the table below. In view of these increases, there will be no general uplift in garage rents in 2008-09.

	Red	Amber	Green
Weekly rent November 2004	£2.27	£3.25 to £3.75 *	£3.25 to £3.75 *
Current weekly rent	£2.27	£3.50 to £5.00 *	£3.50 to £5.25 *
Average increase	0%	18.6%	18.3%
* depending on area			

15. In view of the small weekly sums involved and the administrative cost of implementing rent increases, general inflationary increases will continue to be considered every three years, with the next increase due from June 2011.
16. Annual rents for garage plots and access agreements were last increased from April 2006. These rents will increase with effect from April 2008 by 5.9% to take into account inflation since April 2006.
17. Again in view of the relatively small sums involved and the administrative cost, inflationary increases for garage plot rents and access agreements will be made every three years, with the next increase to take effect from April 2011.

Proposed HRA budget 2008/9

18. The proposed HRA budget for 2008/9 (together with a proposed revised budget for 2007/8) is attached as **Appendix 1**. This budget is based on recent trends and our latest assessment of Government policy on housing finance.
19. The current budget for 2007/8 (approved by Cabinet in September 2007) shows a surplus on the HRA of £5.7m at 31st March 2008. The proposed revised budget for 2007/8 shows a surplus at the same date of £5.3m. The proposed decrease in surplus on the HRA is the result of expenditure on the North Priory Regeneration Project that must be covered by the HRA until the capital receipt from the land sale is achieved.
20. The proposed HRA for 2008/9 takes account of the proposed average rent increase of £3.34 on the 14th April 2008 (paragraphs 5 and 6).
21. The proposed HRA for 2008/9 includes a budget for housing management of £15.2m. At the September Cabinet Meeting, Cabinet agreed to the closure of three offices by the end of the 2007/08 financial year (Pensnett, Quarry Bank and Netherton). All three offices have been closed to the public and disposal options are now being pursued. Cabinet further agreed to the closure of Wrens Nest, linked to the North Priory regeneration project, and Shell Corner, linked to regeneration of the area, in due course. Savings from the closure of these offices are to be reinvested into service

improvements. The phasing of the closures has meant that improvements will have to be phased. It is recognised that a high priority for members was the garden initiative for the elderly and people with disabilities, and it is intended to introduce a pilot scheme in Spring 2008. Preparatory work is currently being undertaken with partner agencies and the Dudley Federation of Tenants' and Residents' Associations (DFTRA) to establish specification, criteria, etc.

The budget also allows for costs relating to the management of the North Priory Regeneration Project, which will be recouped from the sale of the site to a developer partnership (see paragraphs 24 - 25 below). In 2008-09, additional revenue budget of £0.7m is required to meet security and other disposal costs.

22. The proposed HRA for 2008/9 includes a budget for repairs and maintenance of £24.8m. This reflects:
- An improvement to the responsive repairs service standard with approximately 15,000 urgent repairs being carried out within 3 working days instead of the current 7 day standard, with remaining responsive repairs and maintenance being carried out within current established service standards. 3 day urgent repairs would include such jobs as plumbing and drainage faults such as leaking taps and blocked drains to making safe storm-damaged fencing;
 - Undertaking all required cyclical statutory responsibilities such as annual servicing of gas appliances, warden call equipment and alarms and periodic testing of water hygiene, lift servicing and inspections;
 - Improving current levels of cyclical maintenance such as external painting of properties, communal decorations to high rise and sheltered accommodation service standards by utilising savings derived from the external painting partnership to commence delivery of painting of external render in a programme expected to be delivered over a 5 year period;
 - Continuing the ongoing programme to install and maintain smoke alarms with over 80% of properties expected to have received at least one smoke alarm by April 2008;
 - Undertaking planned maintenance with specifications addressing improvements to energy efficiency and climate control, specifically targeting those homes with poor energy performance.
23. The budget shows a reserve of £2.0m remaining as at 31st March, 2009. This reserve is required to support expenditure to deliver the Decent Homes Standard in later years.

North Priory Redevelopment

24. The report *North Priory Estate Regeneration Project* (Cabinet November 2006) gave authority to incur expenditure on the basis that this would be recouped through the sale of the site to a developer partnership. In February 2007 initial budgets were approved by Cabinet, assuming at this stage that the capital receipt would be equal to the costs incurred. Significant progress has been made regarding the regeneration project, which was the subject of a separate report to the Cabinet on 13th February, 2008: over 50% of tenants have been rehoused; valuations have been agreed for all owner-occupied properties and over 60% of sales have been completed; and a development partner – Bromford Housing Group – has been selected.
25. **Appendix 2** shows the proposed revised budget, compared to the original budget approved in February 2007. The main changes have arisen as follows:
- Acquisition of freeholders and leaseholders - increased property values
 - Homeloss and disturbance (freeholders and leaseholders) – based on 10% of property value
 - Homeloss and disturbance (tenants) – increase in statutory homeloss payment from £4000 to £4400 from September 2007
 - Security – increased costs in the main to reflect complete stripping, mothballing and securing of vacated properties to minimise the risk of vandalism and arson
 - Independent Tenants' Advisor – reflects increased role in the project
 - Professional costs – includes a contingency sum of £200,000.

Revenue and capital expenditure will be borne by the HRA, until the capital receipt is achieved.

Proposed public-sector housing capital budget 2008/9 to 2010/11

26. A proposed three-year public sector capital budget for 2008/9 to 2010/11 and revised budget for 2007/8 are attached as **Appendix 3**. Explanations of the budgets are attached as **Appendix 4**.
27. Recent capital programmes have targeted investment into achieving Government targets to meet the Decent Homes Standard and energy efficiency measures aimed at meeting Government targets under the Home Energy Conservation Act (HECA).
28. The proposed capital programme follows the principles approved in the current programme that reflect the priorities of the Council Plan and the views of Area Housing Panels. The programme addresses the following priorities:

- Providing a Decent Homes Delivery plan to outline the financial plan detailing how investment will be maintained to achieve the Government's Decent Homes target of making all homes decent by 2010;
 - Improving energy efficiency, combating climate change and reducing fuel poverty;
 - Maintaining community safety, environmental and social programmes such as Adaptations for persons with disabilities at current levels;
 - Providing a repairs service that will not result in a future backlog of routine repairs developing.
29. Whilst a detailed explanation of the overall programme is provided in Appendix 4, a summary of notable proposals is as follows:
- Over £13m expenditure replacing around 2,500 kitchens and 1,900 bathrooms that currently fail the decent homes standard and a further replacement of around 1,500 kitchens or bathrooms that do not fail the decent homes standard but are still in need of improvement due to disrepair;
 - An additional £1m over three years for miscellaneous minor works schemes addressing structural and health and safety issues within the Council's housing stock;
 - An additional £1m over three years to address anticipated necessary improvement works flowing from fire risk assessments to flatted developments required to be undertaken in accordance with the Fire Reform Order.
30. It is also proposed to seek to enter into partnership with appropriate bodies to deliver additional resources funding energy efficiency and climate change initiatives. Examples would include the Government's Energy Efficiency Commitment (EEC). It is proposed that any additional resources agreed be added to the Capital Programme accordingly.
31. To ensure effective utilisation of all resources that become available, the Council is requested to authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, to manage the three-year programme so as to use all the resources that become available and commit expenditure to that amount and to report progress and actions to the Cabinet. In doing this, the Council is requested to confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed to support private sector housing) should continue to be used for the improvement of Council homes.
32. To facilitate implementation of the programme, the Council is requested to authorise the Director of Adult, Community and Housing Services to prepare specifications, select tenderers, invite tenders and accept the most economically advantageous tender. These actions will be carried out in accordance with Standing Orders and Financial Regulations. The Council is also asked to agree that the Director of Adult, Community and Housing Services be authorised to accept tenders on their behalf.

Medium Term Financial Strategy for Landlord Housing

33. As part of the Housing Stock Options Appraisal (approved by Council in April 2005) we prepared a financial forecast up to 2010. It was based on financial trends and Government policy (including rent restructuring) and showed that, on the basis of delivering a minimum programme of repairs and improvements, it would be possible to deliver the Decent Homes Standard by 2010. We have reviewed our forecasts in the light of changes to rent restructuring, HRA Subsidy and the slowdown of Right to Buy sales. These are set out in our medium-term financial strategy attached as **Appendix 5**.
34. Our forecast suggests that resources will be adequate to deliver the Decent Homes Standard by 2010. It is proposed that we continue to review our forecasts from time to time and consult as appropriate, through the Area Housing Panels, on measures that can be taken to enhance the financial strength of the housing service.
35. On consideration of the information in this report, the Cabinet, at its meeting on 13th February, 2008, agreed to:-
- approve a rent increase for HRA dwellings on 14th April, 2008 with an average increase of £3.34 and a maximum increase of £5.31 in line with Government rent guidance;
 - approve an increase of 3.9% in other charges as outlined in paragraphs 8, 9 and 11;
 - approve the increase from £1.30 or £1.39 to £1.60 for laundry tokens, and approve the commission payable to the local shopkeeper in Brierley Hill (paragraph 10);
 - approve the maintenance of garage rents at current levels and the dates proposed for future increases, set out in paragraphs 12 to 15;
 - approve the increases for garage plot rent and access agreements, and the dates of future increases, set out in paragraphs 16 and 17.

The Council is requested to consider the recommendations of the Cabinet referred to in paragraph 39 below.

Finance

36. Section 76 of the Local Government and Housing Act 1989 places a duty on the Council to ensure that no action will be taken to cause a deficit to arise on the HRA at 31st March, 2008. There is also a duty placed on the Council to review the financial prospects of the HRA from time to time. Reviews carried out can confirm that the HRA will be in surplus at the 31st March, 2008 and therefore complies with the requirements of the Act.

Law

37. HRA finances are governed by Section 74-88 in Part IV of the Local Government and Housing Act 1989.

Equality Impact

38. This is primarily a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure (e.g. capital expenditure on adaptations) are intended to promote independence and improve quality of life for disadvantaged groups.

Recommendations

39. That the Council:
- approve the revised HRA budget for 2007/8 and the HRA budget for 2008/9 outlined in Appendix 1;
 - approve the revised budget for the North Priory regeneration project outlined in Appendix 2;
 - approve the public sector housing revised capital budget for 2007/8 and capital budget for 2008/9 to 2010/11 attached as Appendix 3;
 - authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, to manage and allocate resources to the capital programme as outlined in paragraph 31;
 - authorise the Director of Adult, Community and Housing Services to procure and enter into contracts for the delivery of the capital programme, as outlined in paragraph 32;
 - approve the medium-term financial strategy set out in Appendix 5.

David Caunt

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Leader of the Council

Appendix 1

Proposed HRA Budget

	2007/8 revised budget Sept 2007 £m	2007/08 proposed revised budget £m	2008/9 proposed original budget £m
<u>Income</u>			
Dwelling rents	-69,307	-69,317	-72,372
Non-dwelling rents	-705	-618	-633
Charges for services and facilities	-136	-134	-134
Contributions towards expenditure	-941	-939	-1,131
Interest on balances	-533	-532	-212
Total income	-71,622	-71,539	-74,482
<u>Expenditure</u>			
Responsive and cyclical repairs	20,316	20,278	24,753
Management	14,785	15,132	15,224
Negative Subsidy	13,905	13,863	16,998
Transfer to Major Repairs Reserve	13,692	13,692	14,108
Interest payable	3,746	3,762	4,014
Revenue contribution to capital expenditure	4,165	4,301	783
Other expenditure	1,862	1,824	1,861
Total expenditure	72,472	72,853	77,741
Surplus/deficit for the year	851	1,314	3,259
Surplus brought forward	-6,588	-6,588	-5,275
Surplus carried forward	-5,738	-5,275	-2,016

Appendix 2

North Priory Regeneration – proposed revised budget

	Approved budget Feb 2007	Proposed revised budget Feb 2008
	£'000	£'000
<u>Expenditure</u>		
Acquisition of freeholders and leaseholders	2,635	3,305
CPO costs	132	132
Homeloss and disturbance (freeholders and leaseholders)	341	448
Homeloss and disturbance (tenants)	1,380	1,611
Security	81	900
Tenants admin - in house	150	150
Independent Tenant Advisor	25	60
Professional costs (e.g. ground condition)	50	250
Demolition	0	144
TOTAL Expenditure	4,794	7,000
<u>Income</u>		
Receipt from developer partnership ²	-4,794	-7,000
Housing Corporation Funding	0	0
TOTAL Income	-4,794	-7,000
TOTAL	0	0

² The budget is set on the basis that the receipt from the developer partnership will cover the Council's costs. Surplus receipts will be required to mitigate the loss of rental income from the North Priory properties disposed of.

Appendix 3

Proposed capital programme 2007/8 to 2010/11

	2007/8 £'000	2008/9 £'000	2009/10 £'000	2010/11 £'000
Adaptations	2,138	2,080	1,883	1,899
Central heating	4,465	2,195	3,617	3,693
Community Safety	2,108	1,105	576	584
Electrical Installations	2,718	4,317	3,540	3,570
Energy Efficiency	195	213	147	149
External Envelope Schemes	4,379	6,722	6,163	6,274
External Wall Insulation - Brierley Hill	0	333	0	0
Minor Works	2,425	3,360	2,817	2,792
Modernity and Decent Homes	4,143	6,913	5,408	5,428
Non Traditional Construction	11	0	0	0
North Priory	2,767	670	0	0
Programmed Works	240	35	0	0
Retention and Overprogramming	50	-3,736	0	0
Tenants Association	87	101	81	82
Void Property Improvements (Decency)	2,920	3,262	2,210	2,215
Works to Stores Facility	179	330	33	33
Planned Efficiency Saving	-994	-861	-861	-861
Grand Total	27,831	27,039	25,614	25,858

Resources

	2007/8 £'000	2008/9 £'000	2009/10 £'000	2010/11 £'000
Borrowing	5,644	3,503	5,532	5,580
Major repairs allowance	13,692	14,108	14,222	14,400
Revenue contribution to capital	4,301	783	149	186
Usable capital receipts	4,516	10,315	7,423	7,447
Less usable capital receipts transferred to support private sector housing capital	-1,528	-1,670	-1,712	-1,755
Major Repairs Reserve b/f	1,060	0	0	0
Other	146	0	0	0
Grand Total	27,831	27,039	25,614	25,858

Appendix 4

Detail of the three year housing capital programme 2008/9 to 2010/11

Adaptations

The programme continues to deliver improvements and adaptations to the Council owned homes of persons with disabilities, following referral from occupational therapists.

This budgetary provision will deal with around 750 larger adaptations (level access showers, ramps and a limited numbers of conversions) as well as around 4,000 minor referrals for such grab rails, handrails and the like.

The budget for adaptations to void properties is maintained at around £100,000 per annum and will also assist in reducing waiting times and make best use of adapting suitable available properties.

Total budget : £5.9m over 3 years

Central Heating

The programme delivers new central heating to unheated Council owned homes, and replacement systems that are beyond economic repair.

There are currently some 1,500 unheated homes in the Borough, for all of which the tenants have been offered central heating on more than one occasion. Budgetary provision has been made to provide heating for all tenants in unheated homes who wish to receive heating, and installing heating in unheated properties when they become empty, an estimated 800 homes in total. Around 700 homes will remain unheated at the end of the three years, all where tenants have refused heating.

The budget will also replace those gas boilers that fail the decent homes standard with modern energy efficient boilers that ensure heating is made as affordable as possible for tenants.

Also addressing climate change/energy efficiency and environmental issues, in excess of the Decent Homes Standard, £1.4m over the three years will be spent replacing electric night storage heating with efficient gas heating to some 450 homes where the impact upon energy efficiency and climate change will be greatest.

Total Budget : £9.5m over 3 years

Community Safety

This programme continues the work commenced in previous years dealing with local community issues and environmental schemes such as improving property security, providing external lights to HRA assets, fencing, defensible space areas

and landscaping works. The works are determined in consultation with the Area Panels and target issues aimed at reducing void levels and provide safer, sustainable communities in line with Government Sustainable Communities objectives. Budgets are maintained at current levels.

Total Budget : £2.3m over 3 years

Electrical Installations

The budget will address electrical works to around 14,000 homes where the current electrical installation does not meet the Decent Homes Standard. The budget will deal with full rewires where required, estimated to be around 2,000 homes, but the majority of homes will only require partial electrical upgrade works.

Rewiring of communal electrics will also be undertaken where required eg Firmstone Court in 2008/9.

The Jontek system used by Homecall and the wardens to provide the essential Homecall service for vulnerable residents of the Borough is in need of upgrading. This is proposed as part of the capital programme. The remainder of the programme budget also targets investment in the planned replacement of specialist electrical systems that are beyond economic repair, specifically:

- Continue with the programme of the replacement of 4,500 warden call systems at sheltered accommodation with modern equipment compatible with new Telecare technology;
- Complete the upgrading of communal TV aerials with digital aerials in preparation for Government's predicted switching off of analogue transmission in 2010/11.

Provision is also made to deal with any potential remedial repairs to lifts in flatted developments.

Total Budget : £11.4m over 3 years

Energy Efficiency

Following receipt of match funding for insulation works this programme has now offered the installation of cavity wall insulation to all tenants whose homes can benefit from cavity wall insulation. The nominal programme from 2008 onwards will deal with any dwellings where previous tenants have refused the insulation and over the four years the cavity wall insulation programme will be complete.

The budget also provides for additional draught stripping, increased levels of loft insulation and other targeted energy efficiency measures to:

- Allow properties to be insulated to meet the Decent Homes Standard
- Improve the SAP (Standard Assessment Procedure) rating of the housing stock (which measures how energy efficient the housing stock is);

- Contribute towards addressing climate change by reducing carbon emissions.

Total Budget : £0.5m over 3 years

External Envelope Schemes

The programme addresses Decent Homes investment and necessary planned maintenance to the external façade of Council owned homes.

Around 750 homes require some form of re-roofing works to ensure that the Government's Decent Homes Standard can be met by 2010/11. This works is either replacement of roof coverings such as tiles or slates and/or replacement and/or upgrade of the structural timbers as necessary.

The budget will also continues work on a 15 year planned programme to replace flat roof coverings on flatted developments with modern energy efficient materials

The painting partnership has successfully undertaken external painting of around 15,000 dwellings over the past 2 years and delivered significant cost savings. It is proposed that these savings be ploughed back into the partnership by commencing a 5 year programme to paint external render. Whilst external painting is revenue funded this External Envelope budget undertakes planned pre-paint improvement works associated with external painting, dealing with fascias, soffits and replacing external doors and windows where they fail the Decent Homes Standard or pose a significant danger to health and safety.

Total Budget : £19.2m over 3 years

External Wall Insulation – Brierley Hill

This budget makes financial provision for final payments on completed schemes.

Total Budget : £0.3m

Minor Works

This budget is used to deal with urgent repairs and health and safety issues that arise throughout the year. Works already identified include dealing with high cost structural, subsidence and demolition etc works. An additional £1m will deal with an increased requirement for unforeseen works such as refuse chute replacement to high rise flats and a further £1m will be allocated to undertake works that are anticipated to be required as a result of fire risk assessment surveys to flatted developments. These surveys are required as a result of the Fire Reform Order, and whilst some of the identified risks will be eliminated through operational changes it is envisaged that an element of building improvements will be required.

The budget also completes the programme of minor improvements and access arrangements (appropriate to the Disability Discrimination Act) for sheltered accommodation following a survey of communal facilities.

Total Budget : £9m over 3 years

Modernity and Decent Homes

The programme of modernisations to pre-war estates has now been completed and this budget is proposed to continue the programme of kitchen and bathroom improvements where the homes are currently non-decent, also undertaking associated improvement works such as replastering works.

Over three years the programme addresses replacement of around 2,500 kitchens and 1,900 bathrooms that fail the Decent Homes standard and improves a further 1,500 kitchens or bathrooms to prevent them from becoming non-decent. These latter improvements are in excess of the Decent Homes Standard.

Total Budget : £17.7m over 3 years

North Priory

This budget continues to finance costs associated with the redevelopment of North Priory ahead of the land sale to the Council's preferred developer Bromford Housing. Costs are for remedial safety works securing properties, re-housing tenants and the purchase of former Right to Buy properties in connection with the North Priory Regeneration, including Compulsory Purchase where necessary. These costs are to be recouped from the sale of the site to the developer partnership.

Total Budget : £0.7m

Programmed Works

This budget makes financial provision for final payments on completed schemes.

Total Budget : £35,000

Retention and Overprogramming

This budget provides for costs that are committed for completed programmes which are required to be met in following years and facilitates the management of a rolling three-year programme.

Tenants' Association

The budget is allocated in each of the three years to schemes identified by Tenants' and Residents' Associations, and prioritised by the Dudley Federation of Tenants' and Residents' Associations.

Total Budget : £0.3m over 3 years

Void Property Improvements

This budget is used to fund works of a capital nature arising from carrying out works to properties when they become empty to ensure that they are re-let in a reasonable state of repair and have modern facilities for kitchens and bathrooms in accordance with the Decent Homes Standard.

Total Budget : £7.7m over 3 years

Works to Stores Facilities

This budget is a residual budget remaining from 2006/7 to complete existing schemes to modernise the management of material stores and depot accommodation and meet health and safety requirements. Specifically the budget provides for roofing improvements necessary at depot locations and £100,000 over three years to fund materials to continue the structured apprentice training scheme. This structured training programme permits Building Services' apprentices to undertake depot improvements and building works that they would not usually be required to undertake in their day to day works improving Council housing throughout the Borough.

Total Budget : £0.4m over 3 years

Planned Efficiency Saving

Building Services have set a target for £10m cashable efficiency savings to be delivered between 2006/7 and 2010/11 as a result of improved and innovative working practices. This efficiency target is envisaged to be achievable as a direct result of the benefits of 'partnering' working on Egan compliant contracts and innovative use of ICT. Around £1.4m was delivered in 2006/7 and further savings are envisaged for 2007/8. Around £3.5m is the targeted efficiency saving attributable to the capital programme with a consequential £5.1m allocation within the revenue funded Housing Repairs accounts which delivers responsive repairs and planned cyclical maintenance.

Revenue

The revenue programme deals with a range of responsive repairs from emergency out of hours repairs to routine 28 day repairs as well as statutory and cyclical programmes of maintenance such as gas servicing, periodic electrical inspections, lift maintenance and redecoration works.

Levels of responsive repairs have been predicted based upon current trends and budgetary provision reflects:

- An improvement in the service standard to reducing the time taken for dealing with urgent repairs from 7 days to 3; 3 day urgent repairs would include such

jobs as plumbing and drainage faults such as leaking taps and blocked drains to making safe storm damaged fencing;

- The painting programme being enhanced to commence a 5 year programme painting external render;
- Maintaining all other responsive and statutory services at current levels.

Total budget £75.3m over 3 years

Appendix 5

Medium Term Financial Strategy for Landlord Housing (MTFS(LH))

Purpose

1. The Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) sets out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties. It relates specifically to the Housing Revenue Account (HRA) and the capital programme for improvement of the Council's own housing stock.
2. The MTFS(LH) should be read in conjunction with the Council's overall Medium Term Financial Strategy (MTFS). The underlying principles set out in the overall document apply equally to the MTFS(LH).
3. The MTFS(LH) covers four years (2007/8 to 2010/11). This is considered appropriate in the light of the Government's target to deliver the Decent Homes Standard by 2010.

Background

4. The financial strategy for landlord housing, focussing on the period up to 2010, was determined through the Housing Stock Options Appraisal. This was a year-long consultation process involving:
 - Area Housing Panels of members and tenants;
 - the Dudley Federation of Tenants' and Residents' Associations (DFTRA);
 - individual tenants and residents associations;
 - tenants and leaseholders more widely (through a range of communication channels culminating in a survey of opinion);
 - "hard to reach" groups;
 - a project board including representatives of the above and of other council directorates;
 - the Select Committee for the Environment;
 - the Cabinet;
 - Full Council.
5. This culminated in a decision by the Council in April 2005. The key elements of the financial strategy were:
 - delivery of the Government's Decent Homes Standard by 2010 and maintenance of that standard in later years;

- support to the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
 - identifying ongoing savings and efficiency gains, through the use of partnerships where appropriate;
 - the prudent management of reserves and other balances;
 - compliance with government policy on rent restructuring;
 - honouring the outcome of the Housing Stock Options Appraisal and the view of the majority of tenants and other stakeholders that the housing stock should remain under direct council control.
6. This strategy showed that, on the basis of financial trends and government policy known at the time, it would be possible to deliver the Decent Homes Standard and other priorities for council housing by 2010. The Housing Stock Options Appraisal was signed off by the Government Office West Midlands on this basis.
7. The strategy has subsequently been reviewed on a number of occasions. The last review (Feb 2007) indicated that, having taken action to address changes to government housing finance policy, the Council was on track to deliver the Decent Homes Standard by 2010.

The proposed budget 2008/9 and the MTFs(LH)

8. At the same time as preparing the proposed budget for 2008/9, we have considered the implications of financial trends and government policy for our medium term financial forecast. Our forecast suggests that resources will be adequate to deliver the Decent Homes Standard by 2010.
9. This forecast has been based on recent financial trends and our current assessment of the Government's housing finance policy and, like any forecast, should be regarded with caution (risks to the forecast are considered later). In view of our commitment to stock retention and delivery of the Decent Homes Standard, it is proposed that we continue when necessary to give consideration to the following:
- ongoing review of spending and resource forecasts;
 - further efficiency and other savings, including those achievable from use of partnerships;
 - service charges³.
10. Whilst the volume of responsive repairs has increased since the back-log of routine repairs was eliminated over the past few years, efficiencies in the way these repairs have been delivered have resulted in significant cost savings. These savings have significantly contributed towards achieving the

³ Government subsidy calculations assume charges over and above the rent for special services to flats and for supported housing – the HRA is financially disadvantaged as a result of not applying these charges.

Council's efficiency savings required as a result of 'The Gershon Report' within the Council's Annual Efficiency Statement. In 2007/8 an efficiency saving of over £1.4m is expected, arising from improved ways of working in the delivery of an efficient repairs service. Much of this saving was attributable to improved use of ICT to schedule works more effectively, although efficiencies have also arisen as a result of partnership working with external contractors. Further planned ICT service delivery enhancements are expected to deliver similar savings over the next four years. Full details of the proposed investment programmes are outlined elsewhere in this report (Appendix 4), but in summary, together with additional resources flowing from the revised timing of the rent increases, the planned cashable efficiency savings of £10m over 5 years will result in the housing investment still being able to deliver the programmes below which were incorporated within the capital and revenue programmes approved as part of the 2007/8 to 2010/11 investment programme approved at February 2007 and subsequent March 2007 Full Council:

- The increased demand for responsive repairs and a void standard consistent with modern tenant aspirations and service standards to ensure the low turnaround times are maintained;
- An 11% budget increase of £200,000 to provide an improved grounds maintenance programme for HRA managed land within and around housing estates and flatted developments;
- A further £3.7m investment in adaptations for persons with disabilities;
- £1.5m to replace inefficient electric night storage heaters with a gas fired central heating system;
- £1m for replacement windows to improve thermal comfort (and security) in those homes where the energy efficiency (SAP) rating is particularly poor.

Risks to the financial forecast

11. The main risks to the financial forecast are considered below:

Risk	Impact
Inflation higher than forecast	While increased inflation has an impact on costs, in the case of the HRA, it also affects resources, through: <ul style="list-style-type: none"> • HRA Subsidy calculations • Rent formulas under government guidance <i>Increased inflation would therefore have a relatively neutral effect.</i>
Management and Maintenance allowances lower than forecast	Management and Maintenance Allowances for 2008/9 have already been fixed. We have assumed increases of 4% in later years. <i>A 0.1% reduction in this figure would worsen the position by £0.1m up to 2010/11.</i>

Income levels not achieved	<p>We have been very successful over the years in controlling rent loss on empty properties. We have allowed in our forecasts for a rent loss of 1.8% of total rent available.</p> <p><i>If losses were to rise above this level the cost for each 1% increase would be around £0.7m per annum.</i></p>
Reduction in property values in the borough	<p>A 10% reduction in property values would reduce the value of usable capital receipts and would reduce available resources by around £0.3m per year.</p>
Timing and amount of capital receipt	<p>We are expecting a substantial capital receipt in 2008/9 for the sale of the North Priory estate to our developer partners. This has been built into our forecasts. Any significant reduction in amount will reduce available resources. A delay in receiving the funds will adversely affect cashflow and if the receipt is delayed into 2009/10 there will be a significant adverse effect on the year-end balance on the HRA.</p>
Unforeseen costs or costs greater than estimated	<p>Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year in which they arise or from any balances available in that year. Preliminary calculations indicate that any costs to the HRA arising from Single Status could be met within proposed budgets. We anticipate that any back-pay costs would be capitalised through a government dispensation.</p>

Prudential indicators

12. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence and affordability. These criteria are set out in more detail in the CIPFA Prudential Code which specifically requires us to set a number of prudential indicators. The full range of prudential indicators are to be set as part of another report on this agenda. Those indicators that relate to HRA capital expenditure are set out below:

	Actual 2006/7	Latest budget 2007/8	Forecast 2008/9	Forecast 2009/10	Forecast 2010/11
Ratio of financing costs to net revenue stream: HRA	3.9%	4.4%	5.0%	5.3%	5.7%
Estimated incremental impact of capital investment decisions on HRA rents	Nil	Nil	Nil	Nil	Nil
Capital expenditure: HRA	£21.9m	£27.8m	£27.0m	£25.6m	£25.9m
Capital Financing Requirement: HRA	£53.5m	£59.1m	£62.6m	£68.2m	£73.8m

13. The ratio of financing costs to net revenue stream shows the costs of servicing housing debt as a percentage of total HRA income. This is a measure of the affordability of debt.
14. The estimated incremental impact of capital investment decisions on HRA rents is shown as zero. This is based on the fact that rents are determined by government rent restructuring guidance and assumes that the Council will continue, as in previous years, to comply with this guidance. Borrowing forecasts have been set at levels which will not necessitate a rent increase above guidelines.
15. The HRA Capital Financing Requirement is a measure of the share of the Council's overall portfolio of debt and investments that results from public sector housing capital expenditure.

Partnerships

16. Housing Services is continuing to deliver on its partnership working and currently has a number of such arrangements. For example, the West Midlands Fire Service provide free 10 year lithium battery smoke alarms in a partnership to ensure that all Council owned homes benefit from smoke and fire protection, and the WMFS also provide a free Home Fire Risk Assessment for tenants who want one. It is expected that the programme for all Council owned homes will be completed by 2010.
17. Housing also has strategic partnerships that are being delivered in accordance with the principles of Sir John Egan's report 'Rethinking Construction'. Through innovative payment mechanisms, incentivising good performance and modern methods of collaborative working the three partnerships outlined below are delivering improved services at a measurably lower cost and have allowed valuable and limited resources to be re-invested in the housing stock.

- Servicing, maintenance and repairs to gas appliances, together with provision of replacement boilers and new heating systems;
- Electrical rewires and upgrades to electrical installations; and
- External painting, internal decorations to dwellings and to common areas of flatted developments

The replacement of warden call equipment with equipment compatible with modern Telecare technology is being delivered by one contractor in a collaborative contract combining the expertise for designing sophisticated systems with the ongoing servicing, maintenance and repairs.

18. Further partnerships and collaborative working arrangements are planned for 2007/8 with procurement already commenced. These will be contracts that utilise contractor expertise to supplement in-house resources and contribute towards Council objectives such as improved turn-around times for empty properties and providing training for staff, operatives and local people. Proposed arrangements are for:
 - Internal improvements for the Decent Homes Standard and to void properties;
 - Roofing Works;
 - Adaptations works for persons with disabilities.
19. Procurement consortia will also be used where appropriate, forming partnerships with established bodies to deliver procurement efficiencies.
20. It is also planned to enter into partnership with funding agencies to increase resources under the Government's Energy Efficiency Commitment (EEC) scheme.