

**Report of Head of Finance and Head of Strategy and Investment Environment
and Housing**

Report to Housing Advisory Board

Date: 20th May 2015

Subject: Housing Leeds Capital Financial Position Outturn 2014/15

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. At the request of Housing Advisory Board, the purpose of this report is to provide a financial position statement on the Housing Leeds Capital programme at outturn for the financial year 2014/15 and also to provide information and proposals on future delivery of the Housing Leeds Capital Programme.
2. The attached information has been provided by the relevant Head of Finance for the Board's consideration in relation to:-
 - Housing Leeds & BITMO refurbishment programme (section 3)
 - Housing Leeds future years delivery 2015/16 onwards (section 4)
 - Housing Leeds newbuild programme & other (section 5)

3.0 HRA CAPITAL PROGRAMME

3.1 Housing Leeds Services & BITMO

3.2 Housing Leeds actual spend at outturn 2014/15 is £57.1m equating to 99% of the revised available resources at period 11. Housing Leeds delivered to within (£300k) of the revised position at period 11. However total slippage over the year equated to £22.0m which has now been added to future years programmes.

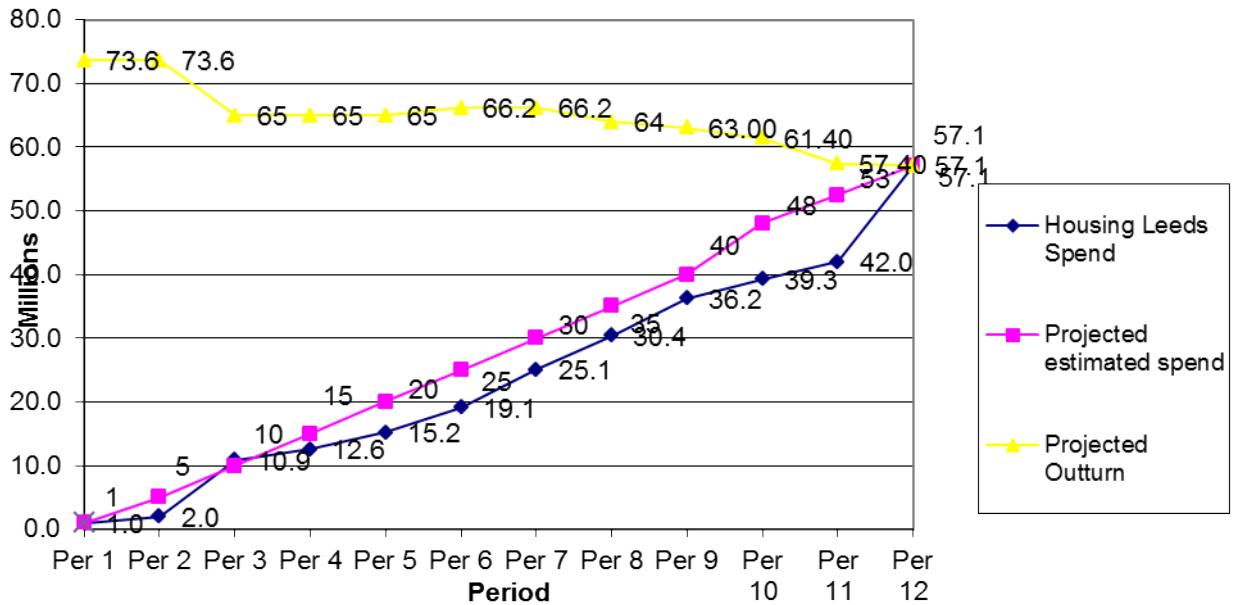
3.3 Housing Leeds planned works spend at outturn 2014/15 is £42.8m equating to slightly over the revised available resources at period 11. The breakdown of where funding has been spent on planned works is shown in the table below:

2014/15 PLANNED WORKS SPEND	
Heating & Energy Efficiency	9,657.3
Kitchens & Bathrooms	6,538.4
Fire Safety Works	4,282.2
Conversion/Regeneration Works	3,831.7
Electrical	2,193.4
Structural Remedials & Insulation	2,084.1
Re-roofing	1,804.8
Window & Door Replacement	830.0
Communal Replacements	725.0
Environmentals	488.6
Commercial Assets	304.3
Miscellaneous	147.0
Service Delivery	9,872.3
TOTAL PLANNED PROGRAMME	42,759.0

3.4 Housing Leeds responsive works spend at outturn 2014/15 is £14.3m equating to 5% under the revised resources estimate mainly attributable to the underspend on adaptations (£445k) and Voids (£213k) and an exercise is underway to explain these variances.

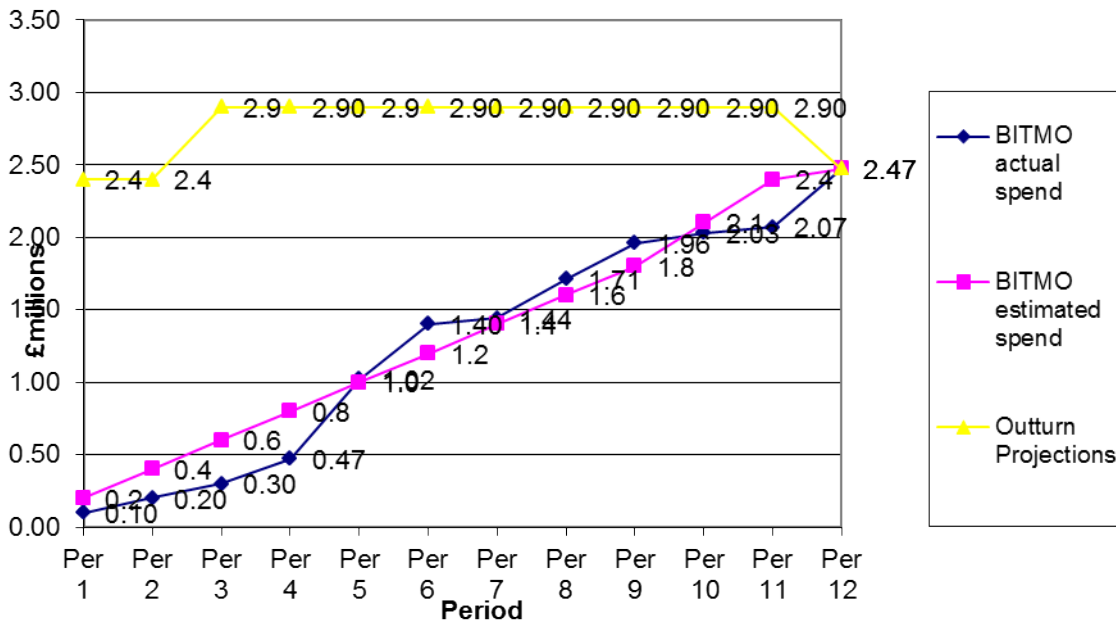
3.5 The overall variance from the setting of the new capital programme in February 2015 to the outturn equated to (£4.3m) and an explanation will be provided to June's Executive Board as part of the Financial Performance Outturn report.

Housing Leeds 2014/15
Total Spend v Estimated spend per period Outturn projections
per period



3.6 BITMOs actual spend at outturn 2014/15 is £2.5m equating to 85% of available resources of £2.9m. This was slightly less than the 90% they were predicting at period 11. The 2015/16 programme will incorporate the yearly slippage giving a total revised programme of £2.16m.

BITMO 2014/15
Total spend v estimated spend per period
& outturn projections per period



4.0 Housing Leeds Future Delivery 2015/16 Onwards

- 4.1 As a result of the slippage in 2014/15 and additional resources made available to Housing Leeds the 2015/16 planned works programme currently sits at £76.77m. The 2015/16 responsive programme is £13.95m giving a total programme of £90.72m. A full breakdown of schemes slipped for delivery into the the future years capital programme is included at Appendix A of this report, with details of the three year budget also included at Appendix B.
- 4.2 The Property and Contracts Division of Housing Leeds was originally set up to deliver an annual capital programme of c£55m p.a., however as a result of the review of HRA resources and changes to the business plan the level of resources has increased significantly as detailed below.

2015/16	2016/17	2017/18	2018/19	2019/20
£90.7m	£76.1m	£77.9m	£80.3m	£84.9m

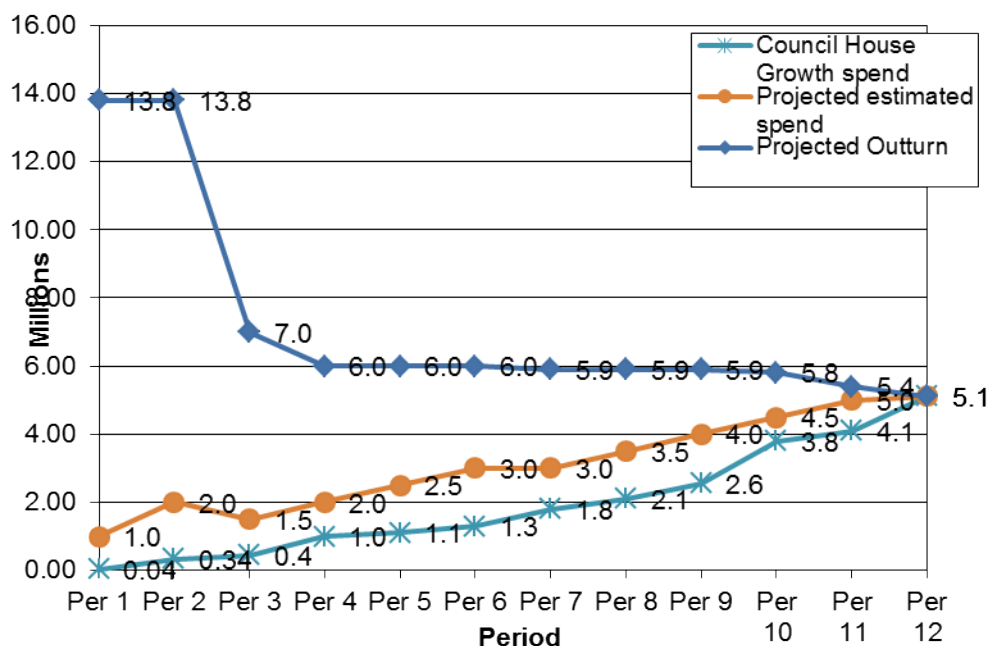
- 4.3 To deliver a capital programme of this size several areas of the business have been reviewed with the following areas requiring action.
- Increase resources – Staffing costs for staff directly involved in capital programme delivery is a standard capitalisation charge within the capital programme therefore there is no revenue implication.
 - Procure Smarter and quicker- By embedding a procurement resource from PPPU into the operational business we will avoid duplication and fully utilise all available procurement routes reducing the number of stand-alone procurement exercises undertaken.
 - Project Management – Further development of project management and progress reporting to visibly track schemes, ensuring mitigation measures can be deployed if deliver is behind target.
 - Internal Service Providers – Increase in the amount of Planned work in line with the ISPs new business plan. Due to the realignment taking place in 2015/16 it is likely that this will begin in 2016/17.
- 4.4 Implementation of the required changes identified above will take time therefore it is proposed to smooth the delivery of the capital programme over a 5 year period meaning an average annual capital programme of £82m will be delivered year on year however 2015/16 will take time for these changes to be implemented so a revised programme in year will be reported at period 2.
- 4.5 Cash-flow issues over the coming 4 years, with investment need out-stripping available resources during this time, were discussed at HAB in February 2015. A HAB working group was subsequently set up to examine the issues in more detail and agree an approach to deal with it. The group have met twice and concluded that the following are required:

- Consideration to be given to additional borrowing (where there is a sound business case and for schemes which generate an income to repay borrowing costs);
- That the Lettable Standard be explored to see if any savings could be made by reducing works carried out to void properties;
- Working with Health and Adults/Childrens Services to explore the provision of additional funding to Housing Leeds that would make greater savings to these organisations (e.g. to prevent bed blocking);
- Delaying decency works where they are not required within the next four years (while continuing to target investment to areas in greatest need);
- Delaying non-essential communal works in blocks (e.g. TV infrastructure upgrades);
- Delaying further aspirational environmental works, utilising HAP funding for urgently required environmental;
- Delaying investment in further heating and renewable schemes to allow time for further research to be carried out into the most cost-effective measures for different property types that make the greatest reductions in energy usage (and therefore fuel poverty).

5.0 Council House Growth Programme

5.1 The Council Housing Growth and new build programme spend at outturn 2014/15 is £5.1m which equated to 94% of the revised resources target at period 11. This underspend of (£0.4m) was mainly down to delays in East Park Road newbuild site where we hit some groundwork problems.

**Council House Growth Programme 2014/15
Total spend v Estimated spend per period
& outturn projections per period**



- 5.2 The total funding injected and available for the Council House Growth Programme as at outturn is £95.37m. Overall authority to spend is £72.8m.
- 5.3 The council also received a determination from CLG on our HRA debt limit which will allow us to borrow a further £4m above our limit. We will inject this in the quarter 1 capital programme report in July 2015 cash flowed £1.2m in 15/16 and £2.8m in 2016/17 which will increase the programme to £99.37m.

Council House Growth Programme	Total	Committed	Uncommitted	Total Spend to date	Budget remaining	Total No of Properties to deliver	No of Properties delivered to date
	£000s	£000s	£000s	£000s	£000s		
Newbuild & Off shelf LCC funding	54,055	10,837	43,218	3,169	50,886	479	13
HCA Grant	7,779	1,575	6,204		7,779		
RTBs 1 for 1 newbuild	7,582	2,271	5,311		7,582		
	69,416	14,683	54,733	3,169	66,247	479	13
Empty Homes Ph1	2,253	2,051	202	2,000.9	252	22	22
Empty Homes Ph2	9,000	9,000	0	0	9,000	100	0
	11,253	11,051	202	2,001	9,252	122	22
Grants to RPs from RTBs 1for1	2,043	1,635	407		2,043	77	
Potential to RPs from RTBs 1for1	2,360		2,360		2,360	68	
	4,403	1,635	2,767	0	4,403	145	0
Funding available awaiting schemes							
HCA grant for negotiation	572		572		572		
RTB 1 for 1 receipts residual 17/18	9,019	0	9,019	0	9,019		
HRA Borrowing balance	4,707	0	4,707	0	4,707		
	14,298	0	14,298	0	14,298	0	0
TOTAL CHGP	99,370	27,369	72,000	5,170	94,200	746	35

- 5.4 The above table shows the current programme under the three main elements, newbuild, Empty Homes and grants to registered providers. It also shows the funding still available and awaiting schemes to come forward.
- 5.5 The programme as it sits will deliver 479 new build properties (13 have been delivered to date on Thorn Walk), an empty homes programme which will return 122 properties back into use (22 of which have been delivered as phase 1) and grants to registered providers which will contribute to 145 new units.

6.0 Recommendation

- 6.1 Housing Advisory Board are asked to note the Housing Leeds Service refurbishment programme and Housing Leeds Council House Growth programme position at outturn 2014/15.
- 6.2 Housing Advisory Board are asked to note the issues raised and comment on the plan moving forward regarding the smoothing of the budget over a five year period, Resources, Procurement, Project Management and Internal Service Providers.

7.0 Background documents¹ No documents referred to.