

Proposed Capital Programme and Funding Strategy 2017/18

SYNOPSIS

This report sets out the capital programme for both General Fund and the Housing Revenue Account (HRA) for 2017/18 and the next 4 years, as recommended by the One Corby Policy Committee on the 7th February 2017. Since there is now no spare capacity, the current General Fund capital programme is therefore substantially reduced from previous years and only covers essential or grant funded expenditure.

In terms of the HRA, there is a significantly reduced annual programme, following the 1% reduction in rents and members will need to prioritise works moving forward.

1. Relevant Background Details

The Capital Programme for 2017/18 and the next 4 years now presented for approval represents the culmination of a process that has involved Members, Officers, and is in line with a previous report presented to members on the 7th February 2017. It is also in line with the approval of the Medium Term Financial Strategy (MTFS) and follows the government's decision to reduce rents by 1%.

2. Report

Housing Capital Programme and Funding

In terms of the Housing capital programme, the position has now been stable for a number of years. However the recent government announcement to enforce a rents reduction of 1% for each of the next 4 years has significantly changed this. The HRA is now only sustainable if the investment in the stock (the capital programme), that is funded from the HRA, is reduced by £700k pa for the next 4 years. This will reduce the capital programme from £5.3m pa to £2.7m pa and will have an inevitable effect on the long term condition of the stock and the requirement to invest £160m over 30 years. There will be a need to review the long term HRA capital programme towards the end of the 4 year period.

This will also mean that there will now not be any more new housing schemes over and above those already funded and approved unless they can be met from savings within the HRA, Right to Buy receipts or as yet unknown government grants.

A full breakdown of the Housing improvements element of the Capital Programme is shown in Appendix A, with a summary and a breakdown of the funding shown in the table below.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Housing Improvements	4,260	3,859	3,654	3,117	2,326
Social Housing New Build	3,625	3,625	0	0	0
Garage Sites	1,000	2,650	4,430	4,430	4,430
Neville House	800	800	0	0	0
Total Programme	9,685	10,934	8,084	7,547	6,756

Funded By:					
Revenue Funding	3,900	3,200	2,700	2,700	2,700
HCA Grant Funding	750	750	0	0	0
Right to Buy Sales	900	1,725	2,215	2,215	2,215
Borrowing	3,775	4,600	0	0	0
(Contribution to)/Use of Reserves	360	659	954	417	(374)
Total Funding	9,685	10,934	8,084	7,547	6,756

In view of the financial pressures facing the council, there will inevitably be some previously planned capital schemes that cannot be undertaken. Appendix 1 reflects what are considered to be essentially and priority based housing improvement works. Whilst members are able to influence or request other schemes within the housing programme, it must be noted that the overall funding level is fixed and therefore any additional schemes approved will need to be at the expense of those already put forward.

In addition, any underspends from the current year's programme will be carried forward, subject to OCPC approval in June. If any further sources of funding for additional schemes become available they can also be added to the capital programme during the year.

General Fund Capital Programme

A breakdown of the General Fund element of the Capital Programme along with a breakdown of the funding is shown in the table below.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Woodland Improvements	63	63	63	63	63
Replacement Wheelie Bins	40	40	40	40	40
Disabled Facilities Grants	223	223	223	223	223
ICT Hardware Replacement	150	150	150	150	150
Total Programme	476	476	476	476	476
Funded By:					
Grants & Contributions	286	286	286	286	286
Further Funding Required	190	190	190	190	190
Total Funding	476	476	476	476	476

In line with the agreed strategic principles, the Council has had a substantial capital programme that has utilised all of its resources and incurred significant borrowing. Since there is no longer any spare capacity within the General Fund Capital Programme without further borrowing, the current 5 year programme therefore only covers essential or externally grant funded expenditure. This does not mean that we will not undertake capital projects in the future, just that they will not be undertaken unless they are essential or unless external funding is secured. If any further schemes are identified, they will require separate OCPC approval.

Aside from this, and as with the HRA capital programme the overall programme for 2017/18 will only change when unfinished schemes for 2016/17 are approved for carry forward by OCPC in June. If any further sources of funding for additional schemes become available they can also be added to the capital during the year.

3. Options to be considered

Whilst there continues to be significant pressures within the Council's capital finances, the 2017/18 Capital Programme for the General Fund represents largely statutory, contractual or unavoidable commitments. There is therefore little option in relation to expenditure and subsequent funding decisions unless specific capital schemes are suspended or stopped before their completion, or further external funding is secured.

In terms of the Housing Capital Programme there are now significant pressures following the government's decision to reduce rents by 1% for 4 consecutive years. Whilst the Capital Programme remains significant, the required level of investment estimated to be £160m over the 30 years now cannot be achieved under the current funding levels. Specific schemes therefore need to be prioritised and any that are not currently allowed for can only be included at the expense of ones that are.

4. Issues to be taken into account:-

Policy Priorities

Budgetary savings and expenditure should be clearly linked to the Council's One Corby priorities.

Financial/Risks

These are referred to within the report.

Legal

There is a legal requirement to set a robust budget and maintain minimum balances. The programme includes funding to ensure that all statutory requirements are met.

Human Rights, Equalities, Community Safety, Sustainability

Consideration will need to be given to the impact of the changes on all the above statutory and policy priority areas.

5. Conclusion

The current economic downturn and government policy creates substantial pressures on the Council's finances, specifically in terms of generating capital resources. No further funds are available to finance General Fund capital expenditure other than those that are committed, unavoidable or externally funded.

Whilst a significant investment continues within the Housing stock it is not sufficient to maintain and improve the condition of the stock over the next 30 years. Specific schemes therefore need to be prioritised until if and when additional funding does become available.

6. Recommendations

That Full Council:

- (i) Approve the Capital Programme for 2017/18 to 2021/22 as set out in this report and the Housing Improvement Programme as set out in Appendix A; and
- (ii) Approve the funding strategy for the Capital Programme for 2017/18 to 2021/22 as set out in this report.

Background Papers - Budget Working Papers

Consultations - None

List of Appendices - Appendix A – Detailed Housing Capital Programme

Wards - All

Officer to Contact - Adrian Sibley, Director of Corporate Services, 01536 464125

Breakdown of Housing Capital Programme

Appendix A

Programme Works Description	Work Type	2017-18	2018-19	2019-20	2020-21	2021-22
Smoke Detectors	Statutory	137,175	115,125	128,625	152,450	103,825
Gas Fires	Statutory	68,900	7,950	185,500	92,750	2,650
Wall Mounted Heaters	Statutory	514	1,028	-	-	1,028
Heating Works	Statutory	433,500	37,000	50,480	566,100	187,000
Mains Electric	Statutory	-	12,300	6,000	9,600	-
Electrical Wiring	Statutory	440,000	225,000	705,000	220,000	70,000
Asbestos Inspections & Work	Statutory	99,622	101,615	103,647	100,000	100,000
Additional Gas Inspections & Work	Statutory	-	-	60,000	-	75,000
Additional Electric Inspections & Work	Statutory	81,200	195,320	176,240	193,520	75,000
Disabled Adaptations	Statutory	300,000	300,000	275,000	250,000	225,000
Sub Total Statutory Works		1,560,911	995,338	1,690,492	1,584,420	839,503
Alarms	Priority		-	216,000	-	-
Boundary Walls	Priority	9,000	9,000	9,000	9,000	9,000
Communal Doors	Priority	-	3,000	3,000	-	12,000
Fences & Gates	Priority	10,000	10,000	10,000	10,000	10,000
Fascias, Soffits and Bargeboards	Priority	11,000	11,000	11,000	11,000	11,000
Lifts	Priority	-	-	25,000	-	75,000
Store Doors	Priority	12,000	12,000	12,000	12,000	12,000
Water Storage	Priority	480	480	480	480	480
Sub Total Prioritised Works		42,480	45,480	286,480	42,480	129,480
Bathrooms	Decent Homes	52,816	52,816	52,816	52,816	52,816
Central Heating Boilers	Decent Homes	309,480	598,140	191,940	174,000	106,320
Electrical Inspections & Works (incl.CCU changes)	Decent Homes	118,800	4,680	23,760	6,480	4,680
Extractor Fans	Decent Homes	12,500	12,500	12,500	12,500	12,500
External Doors (Dwellings)	Decent Homes	67,740	67,740	67,740	67,740	67,740

Fire Doors for Flats/Blocks	Decent Homes	21,600	21,600	39,267	39,267	39,267
Kitchens	Decent Homes	136,693	136,693	136,693	136,693	136,693
Roofing Works	Decent Homes	30,000	30,000	30,000	30,000	30,000
Rainwater Goods - Guttering/Downpipes	Decent Homes	15,000	15,000	15,000	15,000	15,000
Wall Structures	Decent Homes	20,000	20,000	20,000	20,000	20,000
Windows	Decent Homes	48,650	35,900	35,900	22,000	20,960
Wall Finishes	Decent Homes	751,256	751,259			
Unallocated Labour & Overheads	Decent Homes	750,000	750,000	750,000	750,000	750,000
Sub Total Decent Homes Works		2,334,535	2,496,328	1,375,616	1,326,496	1,255,976
Total Capital Programme		3,937,926	3,537,146	3,352,588	2,953,396	2,224,959
Additions for 2017/18						
Loft insulation		20,000	20,000	20,000	20,000	20,000
Damp and Mould	Statutory	40,000	40,000	40,000	40,000	40,000
Backlog Windows	Priority	85,000	85,000	85,000		
Backlog Kitchens	Decent Homes	115,200	115,200	115,200	62,400	-
Backlog Doors	Decent Homes	21,250	21,250	-	-	-
Estate Maintenance	Priority	41,000	41,000	41,000	41,000	41,000
		4,260,376	3,859,596	3,653,788	3,116,796	2,325,959

