

Meeting:	Cabinet
Date:	16 th July 2009
Subject:	Council Housing Responsive Repairs and Capital Programme
Key Decision:	YES
Responsible Officer:	Gwyneth Allen, Divisional Director Housing Services
Portfolio Holder:	Councillor Barry Macleod-Cullinane, Portfolio Holder for Adults & Housing
Exempt:	No
Enclosures:	Appendix 1 HRA Budget 2009-10 to 2011-12

Section 1 – Summary and Recommendations

The report recommends the reinstatement of low priority (K4) repairs that were suspended in October 2008 due to budgetary pressures. It highlights the need for additional capital resources to meet the decent homes standard by 2010 and to deliver other aspects of the housing capital programme together with proposals to fund additional borrowing to increase the capital programme during the current and next financial years.

Recommendations:

Cabinet is requested to

- 1) approve the reinstatement of the low priority (K4) repairs with effect from the 29th July 2009 in a manner consistent with the existing published performance target of completion within 28 days, within existing budgetary provision and to include the proposed contingency, and that a planned approach be implemented, if required, to clear the backlog between July and December with all new K4 requests being programmed;

- 2) approve that, where works in K4 priority are identified, programmes of work be devised to achieve improved value for money and which tie them into other planned programmes where appropriate;
- 3) approve the increase in the capital programme for housing during 2009/10 by £2.9m net and by £1.6m net in 2010/11 using existing revenue contribution to capital outlay (RCCO) to fund the additional borrowing (and a maximum of £6.5m), and approve the programme for 2009/10;
- 4) approve making £500k of existing RCCO available as a contingency for large and exceptional replacements under the responsive maintenance budget and, where costs cannot be contained within existing budgetary provision, utilize the contingency provision of £500,000 to facilitate the K4 repairs.

Reason:

There is a need to reinstate low priority repairs reported by tenants to avoid deterioration in the housing stock and to ensure that Harrow continues to meet the landlord's obligations under the tenancy agreement. In addition a recent survey indicated a fall in tenant satisfaction related to repairs service delivery and this could in part relate to failure to address K4 repairs.

The increase in the capital resources is needed to ensure that both the work required to meet the decent homes target is delivered and also that other priority investment works are undertaken to avoid failures of components in the housing stock.

Section 2 – Report

Options considered

1 Background

Responsive Repairs

1.1 The repairs budget of 2008/09 was identified as likely to overspend, and in order to contain spending, work on low priority (K4) repairs was suspended in October 2008. The low priority category would typically deal with minor easing of windows and doors as well as environmental issues, exterior works to properties and garages. Unless any of these works constituted a health and safety issue they have been recorded when reported but not issued to Harrow's contractor.

1.2 As a result of the controls introduced to reduce spending, including the suspension of the K4 works, the repairs budget overspend was contained to £309,000. It should be noted however that the external decorations budget was under spent by £258,000 which contributed to limiting the overspend in 2008/09. The costs committed in 2008/09 will be carried forward to fund expenditure on the external decorations programme in 2009/10 (referenced in Appendix 1).

1.3 Analysis of the repairs statistics for the second half of the year indicates that there was a significant reduction in K4 repairs reported. It is possible that some tenants have stopped reporting repairs following the

announcement that they have been suspended, however, it is unlikely that this would account for the significant drop in the numbers recorded (down by 95% raised or 86 jobs). There was some increase in the priority 3 repair category volumes rising to 2,450 (up by 28%) in particular relating to gas, electrical and plumbing works.

- 1.4 In addition the volume of repairs generated from estate inspections in the second half of the year is believed to be lower. Without having data that gives a total and transparent picture there is inevitably a degree of interpretation of the information available. One interpretation is that there will be a release of the latent demand once K4 works are reinstated. However, the Housing Service believes that it would be unlikely that tenants have deliberately stopped reporting repairs since October 2008.
- 1.5 The response repairs budget has previously been held as a single amount but has now been apportioned to each category of work according to the historic data gathered. The higher priority works have been accorded preference in this allocation. This leaves the K4 works with the remainder of the budget at £100,000. The reinstatement of the K4 works could theoretically generate a risk of a flood of pent up demand; however, this is unlikely to be generated by individual tenants. In order to get the best value for the remaining budget it would be advantageous to approach K4 works in a more planned way rather than the reactive approach of achieving a 28-day response time for all repairs. This would be consistent with the council's advertised service of completing K4 works "within 28 days, depending on whether funds are available."
- 1.6 The approach to clearing the backlog of repairs would be to review them and place them into appropriate programmes of similar and related works, such as roofing, carpentry, plumbing, garages, drainage, fencing, boundary walls etc and then negotiate a price with Kier based on the efficiencies which can be gained from doing similar works in an agreed timescale. This would require that tenants and or resident groups are kept informed of when outstanding works are likely to occur. A planned approach will be implemented to clear the backlog of jobs between July and December, with all new reports being coordinated with that backlog to make more efficient use of limited resources in making repairs. Where a repair would impact more directly upon a tenant's comfort or risk short-term deterioration to the property the repair would be ordered within the 28-day target.
- 1.7 The Responsive repairs service will aim to consistently meet the 28 day published performance target once K4 repairs are reinstated. In monitoring the stream of K4 repairs, should there be very high volumes immediately after reinstating K4 repairs, the Council will review the current arrangement. Critical to the success of this process will be to ensure residents are provided with timely and accurate advice regarding the progress of their repair.
- 1.8 There are low priority repairs reported but not yet issued to a contractor and the approximate value of those orders is £70,000. Where a low priority repair was identified as necessary due to the vulnerability of the tenant or potential to cause health and safety concerns, it has been progressed. When estate inspections have been conducted, only a limited number of identified repairs have been issued to a contractor.

1.9 One of the other concerns relating to the overspend of the response repairs budget relates to large one off replacement items. In order to avoid such unplanned works placing undue strain on the budgets it is proposed that a contingency be identified of £500,000 in 2009/10 to deal with these exceptional items, and will be used if such costs cannot be contained within existing budgetary provision. The requirements of the response repairs budget for 2010/11 onwards will be revisited as part of the annual budget setting process. The option to vire between detailed budget heads will exist within the overall repairs budget as the budget is monitored during the year. Where this is required, approval to vire is delegated to the relevant Corporate Director. This will enable use of the contingency budget to meet increased demand on K4 budget should it be necessary.

Capital Programme

1.10 The housing capital programme budget was agreed in February 2009. This budget is used to bring properties up to the decent homes standard and to address other significant disrepair and replacement of items in and around the housing stock.

1.11 A new stock condition survey (SCS) was completed at the start of 2009 and analysis identified the need for £4.5m of additional resources to achieve the decent homes standard by the end of 2010. At the same time a complete review and prioritisation exercise of all other capital works required was conducted.

1.12 Whilst the latest stock condition survey achieved an approximate 20% stratified sample, this information is supplemented by the fact that where internal works have been completed in the last year surveys have been undertaken so the number of properties that have the benefit of an actual survey is closer to 50%. This gives a high degree of confidence in the information when making projections of work required. In addition, where a property is included in the programme for works to be carried out and it has not been the subject of an actual survey, a pre works validation survey is carried out to ensure that only essential works, in line with the Harrow policy, are undertaken.

1.13 With the current level of capital resources a choice would have to be made between achieving the decent homes standard and delivering investment to the infrastructure to avoid breakdown particularly in sheltered housing schemes.

1.14 The result of the SCS together with the other capital needs identified a significant shortfall in resources. This shortfall in resources could be contained to £4.5m over the period March 2009 to April 2011 by programming some less urgent works over a 4-year period. This is shown in the table below:

Capital Programme 2009 to 2011 with indicative programme for 2011 to 2013

	2009/10	2010/11	2011/12	2112/13
Resources				
Capital Budget ¹	6,997,000	5,966,000	6,160,000	6,160,000 ²
Carry Forward	3,076,000			
Grants				
S.106				
	10,073,000	5,966,000	6,160,000	6,160,000
Expenditure				
Capitalised by Housing	250,000	200,000	200,000	200,000
Property Services Fees	800,000	800,000	800,000	800,000
Aids & Adaptations	500,000	500,000	500,000	500,000
Contingency / Fire Damage	100,000	100,000	100,000	100,000
Commitments	1,835,000			
Decent Homes	6,300,000	1,200,000	500,000	500,000
Very High Priority	3,210,000			
High Priority		3,810,000	5,000,000	
Medium Priority				2,700,000
Low Priority				1,400,000
Property without Gas		1,000,000		
Anite Replacement				800,000
	12,995,000	7,610,000	7,100,000	7,000,000

1.15 The scale of the works not related to the decent homes standard is around £16m. In order to prioritise the specific schemes a joint approach within the Kier Partnership reviewed and scored each project. (Thanks are acknowledged to Kier staff that made a major contribution to this exercise). The result was that a list of potential schemes valued at over £16m was prioritised into 4 headings:

Priority	£m
Very High	3.2
High	8.8

¹ Assumes an RCCO of £1m in each year.

² Actual budget for 2012/13 not yet set, estimate used.

Medium	2.7
Low	1.4

Prioritisation was based on an initial technical assessment of Health & safety, statutory compliance, decent homes contribution, defective with likelihood of failure, needed to avoid short-term revenue increases and value for money. These criteria were weighted on a technical basis and the overall results moderated by a view from Housing Management.

Included within the **very high** priority are;

- Communal boiler replacements
- Preparatory work to design heating systems for all electric properties
- Lift replacements,
- Ongoing stock condition validation work, fire risk assessments
- Protecting means of escape in sheltered schemes
- Replacement of joinery to communal windows posing a risk of failure

High priority included;

- Numerous roof replacements
- Further lift refurbishments / replacements
- Works for DDA compliance and alarm system renewal at sheltered schemes
- Digital TV aerial provision (NB digital switchover 2012)
- Refurbishment of door entry systems

Work required in sheltered schemes is a significant proportion of the high and very high priority schemes.

It should also be noted that £500,000 of maintenance and enhancements to Community Centres owned by the Housing Revenue Account has been deferred as low priority on a housing management basis.

- 1.16 All of the issues contained in this report were the subject of a similar report to the Harrow Tenants' and Leaseholders' Consultative Forum on 29 June 2009. The Forum considered the proposed changes to the capital programme and recommended that Cabinet:
- approve the housing capital programme for 2009/10; and
 - approve the recommendations set out in this report to increase the funding available for housing capital works during 2009/10 and 2010/11.

Implications of the recommendation

Financial Implications

In order to give some stability to the repairs budget for 2009/10 and avoid the risk of further overspends; it is proposed to reduce by £500,000 the £1m revenue contribution to capital (RCCO) to be held as a contingency against major replacement costs arising in the responsive maintenance service.

The mechanism identified to fund the additional capital borrowing is to use the remaining part of the (RCCO) to finance the ongoing capital and interest charges on the additional borrowing. An increase in borrowing of £6.5m will be required to finance the increased capital expenditure of £4.5m, together with the reduction in RCCO funding.

In a full year the additional borrowing of £6.5m will result in increased revenue expenditure of approximately £350k, however, this will vary dependent on the interest rates applicable in each financial year and subject to any adjustment to subsidy. Increased borrowing is a long-term commitment to additional revenue funding to support the increased debt, and increases in interest rates will result in increased revenue cost. This requires flexibility in the HRA to ensure that this can be resourced and budget management will be key to ensuring that services are provided and managed within available resources, and that financial plans can be achieved in the longer term.

Given the shortfall in HRA balances advised within the HRA MTFS 2009/10 to 2011/12, the longer-term options of the future viability will need to be explored.

Appendix 1 provides the revised HRA budget over the three year period and reflects the changes proposed in this report and the finalised 2008-09 outturn including the rephrasing of the external decorations programme.

Legal Comments

The reinstatement of the K4 repairs will help to ensure that Harrow meets both its obligations as landlord under its tenancy agreements and also its statutory duties. In addition there is on going pressure to ensure that Harrow meets the decent homes standard in time, and complies with other statutory requirements such as those under the Disability Discrimination Act.

Performance Issues

The performance of the repairs service will benefit from additional capital spend reducing the demand on response repairs. The impact of this will vary by the work type, the specific targets for reduced responsive works will be developed for the Q1 Improvement board. By holding a £500,000 contingency for large one off replacements, the routine repairs performance should also be improved. This improvement will be measured by the total repairs spend being contained within budget and an improvement of complying with response times in priority 3 by 5%.

Reinstatement of K4 repairs will contribute to improving the satisfaction levels of tenants with the repair service. Satisfaction levels had dropped in the last survey of tenant opinions conducted in September 2009 just at the point at which the service had been reduced. The fall in tenant satisfaction with repairs was in the order of 12%. No single measure will bring about a return to previous levels nor raise the level of satisfaction beyond this point. The reinstatement of K4 repairs is part of a package of measures designed to increase the levels of tenant satisfaction with the repairs service.

Upper quartile for Local authorities is 67%.

The response of the repairs service and tenants satisfaction used to be key performance indicators within the Comprehensive Performance Assessment. Although not explicitly set out in the new Comprehensive Area Assessment (CAA), these metrics still represent key determiners of the quality of services to housing tenants and will support the judgement on how services to vulnerable adults are being delivered (a key element of CAA).

Environmental Impact

The capital programme, in particular, should improve the environmental impact of the councils housing stock with increased thermal efficiency from more modern boilers and improved insulation via new doors and windows.

Equalities Impact

The delivery of the repairs service is generally intended to be a uniform service to all tenants. The reintroduction of the K4 repairs category will be undertaken on this basis, however, each reported repair will be assessed according to the particular degree of urgency and risks involved to the tenant or of causing further damage. In order to protect vulnerable tenants, each reported repair will be carefully considered and if necessary given a higher priority.

Risk Management Implications

There is a risk identified in reinstating the K4 repairs, that the service will not be able to respond to pent up latent demand, however officers believe that tenant demand can be met and that other demands resulting from estate inspections can be managed more efficiently by planning programmes of work and being less reactive.

Section 3 - Statutory Officer Clearance

Name: Jennifer Hydari	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 07 July 2009		
Name: Paresh Mehta	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 10 July 2009		

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap	<input checked="" type="checkbox"/>	Divisional Director (Strategy and Improvement)
Date: 8 June 2009		

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards	<input checked="" type="checkbox"/>	Divisional Director (Environmental Services)
Date: 10 June 2009		

Section 6 - Contact Details and Background Papers

Contact:

Gwyneth Allen, Divisional Director,
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Background Papers: None