



Report to:

Northwards Housing Board
16th May 2006

Item No:

8c

Title: Northwards Housing Capital Programme – Contingency Plan if 2 stars is not secured.

Date: 16th May 2006

Author: Larry Patrick **Tel No:** 0161 227 3013

E mail: l.patrick@northwardshousing.co.uk

Confidential: No

For: (Please tick action required)	NOTING	DISCUSSION	APPROVAL
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PURPOSE OF REPORT

Northwards Housing Board has already approved an investment plan for 06/07 which assumes that Northwards Housing has been able to draw down the first tranche of the £131m additional ALMO funding.

This report outlines the contingency plan for the capital programme if that funding is not secured in June 2006 and in further inspection in summer 2007.

This report was considered by the Procurement and Property Sub Committee on 19th April 2006, who agreed that this report should be presented to the Board for noting.

RECOMMENDATION

That the Board note:

- a) The contingency plan.
- b) That items in the 06/07 programme, but not in the contingency plan, will be placed on the internet with a “subject to ALMO funding approval!” warning.

IMPLICATIONS

Equality & Diversity:	Failure to get the additional ALMO funding would affect all sections of the community.
Financial:	To spend the approved plan, if ALMO funding is not secured would create a huge budget deficit
Staffing:	No initial implication
Decency Target:	The failure to secure the ALMO funding would make it impossible to achieve Decent Homes Standard or our promises by the end of 2010.
Governance:	No direct implication

Equality & Diversity Implications (Please tick where relevant):

BME	<input checked="" type="checkbox"/>	Lesbian/Gay/Bisexual/Transgender	<input checked="" type="checkbox"/>
Elderly	<input checked="" type="checkbox"/>	Single Parents	<input checked="" type="checkbox"/>
Young	<input checked="" type="checkbox"/>	Domestic Violence	<input checked="" type="checkbox"/>
Disability	<input checked="" type="checkbox"/>	Alcohol / Drug Mis-users	<input checked="" type="checkbox"/>

Consultation/Consideration:

	Yes, No or N/A:	Name:	Date:
Sub-Committee:	Yes	Procurement & Property	19 th April 2006
Area Panel:	No		
Ward Councillors:	N/A		

NORTHWARDS HOUSING CAPITAL PROGRAMME –

CONTINGENCY PLAN IF THE £131M ALMO FUNDING ISN'T SECURED

1. Background

1.1 Overall Northwards Housing Capital Funding to 2011

The total capital budget up to 2010/11 is currently estimated to be £199m. £131m of this is ALMO funding that is dependant of securing a Two Star rating from the Audit Commission following the Inspection in June 2006. Without that £131m funding, the Decent Homes Standard would not be achievable. That money is being given to allow us to achieve Decent Homes Standard.

If Northwards Housing fail to achieve Two Stars following the Inspection and, continue to fail on Re-Inspection in summer 2007 then resources available for capital works up to 2010 are likely to be a maximum of £68million, as shown in the table below. This is unless we are able to secure external funding from elsewhere, such as the Housing Market Renewal Fund (HMR). At present we have only secured £23,000 from HMR in 2006/07 to cover a small, carry forward commitment from 2005/06.

Decent Homes Funding (without ALMO funding)

Funding:	2006/07	2007/08	2008/09	2009/10	2010/11	TOTAL
MRA	£7.307m	£7.277m	£7.244m	£6.991m	£6.983m	£35.802m
SCE/RHP	£2.265m	£2.200m	£2.136m	£2.046m	£1.968m	£10.615m
Capital Receipts	£5.479m	£5.756m	£2.969m	£3.197m	£3.945m	£21.346m
Utilities funding	£0.050m	£0.050m	£0.050m	£0.050m	£0.050m	£0.250m
HMR	£0.023m	0	0	0	0	£0.023m
TOTAL	£15.124m	£15.283m	£12.399m	£12.284m	£12.946m	£68.036m

- 1.2 It is very unlikely that this scenario of repeatedly failing to gain Two Stars would occur. However, if it did, we would not be able to keep our promises or achieve the Decency standard for all our properties.

If Northwards Housing invested no capital monies, it is calculated that just over 10,000 of our homes would be non decent by the end of 2010/11. Depending on how we decide to target £68m available from the Council, we could make an additional 2,000 homes Decent. This may be less because much of the money would be spent on immediate health and safety issues.

- 1.3 However, there is a greater risk of a single Inspection failure and thus that money not being available for 2006/07, than overall failure to secure Two Stars and the £131m additional ALMO funding.

This would mean that we would only be able to spend £15.24m rather than the planned £32.7m in 2006/07.

This report contains a contingency plan to deal with this situation.

1.4 Although we have the contingency plan, we are planning on success. In order to successfully deliver the full planned capital programme of £32.7m, then we need to spread across the full financial year. It would not be possible to achieve this increase in capital spending if the totality of the increase is planned spend within the last 7 months of the financial year.

1.5 This report has already been noted by the Procurement and Property Sub Committee who agreed this report should be presented to the Board.

2. Northwards Housing Contingency Capital Programme for Financial year 2006/07

2.1 Total budget £15.124m.

Much of that budget is already committed. We would already be committed to spending that year.

Committed expenditure from 2005/06	£7.962m
Housing Technical Services (HTS) salaries	£2.000m
Procurement Group salaries	<u>£0.608m</u>
Sub total	£10.570m

This would leave a balance of £4.554m

2.2 Contingency Programme

It is proposed, to commit this £4.6m to the following projects that are planned to commence on site prior to August 2006, before the outcome of the Inspection is known:

- a) Moston Miners Estate kitchen or bathroom replacement to 209 properties – prioritised because this area is not benefiting from any accelerated works programme.
- b) Charlestown North phase 2 window replacement to 162 properties – continuation of the phase 1 accelerated work starting on site April 06
- c) Cheetwood Waterloo East phase 2 window replacement to 191 properties – continuation of phase 1 (as above).
- d) Harpurhey Kingsbridge estate houses window replacement to 48 properties – to follow on from the maisonettes due on site in April
- e) Sheltered housing boiler replacement and heating controls to 104 properties - final phase of essential work
- f) Harpurhey Church Lane phase 2 external works and window replacement to 20 properties – final phase of work currently on site
- g) Harpurhey Clough Road external works and window replacement to 19 properties
- h) Harpurhey Mannings estate window replacement to 163 properties

- i) Demolition of 25 low demand properties approved by this Board on 17th January and the City Council Executive on 15 February 2006
- j) Urgent one off boilers deemed obsolete and in need of replacing following the annual servicing programme
- k) Essential one off structural remedial work
- l) Capital works to void properties

The estimated cost of the above items is £5.842m, £5.054m of which is programmed for 2006/07, and £0.788m for 2007/08.

2.3 The rationale behind this programme is

- a) It helps Northwards Housing to spend the planned spend of £32.7m
- b) It concentrates heavily on windows which are being dealt with on an oldest “last painted” basis and means a lot of people benefit and has a positive environmental impact.
- c) Moston Miners Estate has been included as this Board already agreed that this would be an early scheme for this year and it allows us to start the first of our internal modernisations.
- d) Other parts of the budget enable us to continue to function safely (eg. One off boiler renewal, and the structural remedial budgets).

2.4 The effect of this would be that we would make 350 homes Decent against some 1600 homes for the full £32.7m programme. We would not achieve full decency by the end of 2010, but would in effect do so by the end of 2011.

2.5 Overprogramming

This is £0.5m in excess of the balance of the budget available in 2006/07 – known as over-programming. If this £0.5m isn’t met from savings, the programme will be managed so that expenditure to the required amount is deferred into 2007/08.

As the Framework/JVC won’t be in place prior to August, it’s intended that most orders will be placed using the extended Measured Term Contract (MTC) with Contracting Services. This is with the exception of Moston Miners, which we intend to negotiate with Contracting Services using Lathbury Rd tendered rates as the work is outside the scope of the MTC (subject to performance on that contract and capacity). The demolitions and structural work will probably be competitively tendered, or negotiated with existing external contractors.

3.0 Placing the Capital Programme on the Internet

3.1 Northwards Housing will soon place the approved Year 1 Capital Programme on the internet. However a large part is subject to ALMO funding. It is proposed that those schemes not identified within this report be placed on but with a “subject to ALMO funding approval” warning.

4. Conclusion

Appendix One summaries the 2006/07 programme if ALMO funding isn't achieved. Defining this will allow Northwards Housing to put onto the internet our proposals for 2006/07, whilst clearly showing what is dependent on securing ALMO funding.

Gaining a minimum of two stars is of paramount importance to Northwards Housing and everyone is working flat out to achieve this.

5. Recommendation

5.1 That the Board note:

- a) The contingency plan.
- b) That items in the 06/07 programme but not in the contingency plan will be placed on the internet with a "subject to ALMO funding approval!" warning.

Larry Patrick
Director of Property Services

Northwards Housing Capital Programme 2006/07

Contingency Plan if the £131m ALMO funding isn't secured

	2006/07 £m
Commitments from 2005/06	£7.962
Window replacement to commence in 06/07	£2.228
Kitchen or bathroom replacement to commence in 06/07	£1.200
External works to commence in 2006/07	£0.579
Demolitions	£0.150
Structural remedial work	£0.100
Capital works to void properties	£0.100
Programmed maintenance – obsolete boilers	£0.697
Environmental works	
Housing Technical Services salaries	£2.000
Procurement Group salaries	£0.608
Contingency	
Overpramming adjustment	-£0.500
TOTAL	£15.124

Potential budget available £15.124

Difference £0.000