

**HOUSING CAPITAL ESTIMATES 2001/02 REVISED AND 2002/03****1. INTRODUCTION**

- 1.1 Housing Portfolio's draft capital estimates for 2001/02 revised and 2002/03 are submitted for consideration with this report.
- 1.2 Cabinet is asked to consider the estimates, which will eventually be submitted to Council on 25 February 2002.
- 1.3 At some time before the meeting, Members may find it helpful to raise any matters of detail with Kevin Green on (023) 8028 5715 or Sharon Coles on (023) 8028 5713.

# 1.4 A glossary of terms is attached as Appendix 1.

**2. SPENDING POWER**

- 2.1 The size of the capital programme is constrained by the spending power available to the Authority.
- 2.2 Spending power comprises capital allocations authorised by the Government, usable capital receipts and the ability to fund capital expenditure from revenue sources (HRA rents and balances).
- 2.3 Estimated spending power for 2001/02 and 2002/03 is summarised in the following table. A full breakdown of the sources of the spending power is included in Appendix 2.

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	<b>ORIGINAL 2001/02 £000</b>	<b>REVISED 2001/02 £000</b>	<b>ORIGINAL 2002/03 £000</b>
DTLR Allocations	1,616	1,629	1,939
In-house resources	2,566	2,778	2,102
	<hr/> 4,182	<hr/> 4,407	<hr/> 4,041

- 2.4 Total 2001/02 spending power is now £4.407m, being an increase of £0.225m from the original estimates. Of this increase, £76,000 has previously been reported to Members. The balance of £149,000 has arisen as follows:

- 2.4.1 Additional useable capital receipts of £289,000 are anticipated, principally due to an increase in the average value of each property sold under the Right to Buy scheme and through the mortgage

redemption exercise, which was approved by Housing Committee on 21 June 2000 and concluded in June 2001.

- 2.4.2 On 21 November 2001, Panel Members were advised that £200,000 of the Environmental Enhancements budget was to be rephased into 2002/03, due to delays in recruiting surveyors and the timescales in identifying and agreeing the programme of works with tenants. Latest projections show that the total spend will be £370,000, an increase of £70,000 from previously reported figures. The net effect is a reduction of £130,000 in the revenue contribution from that approved in the original estimates.
- 2.4.3 Following the introduction of the Single Capital Pot for Housing, the Council now only receives reimbursement of Private Sector Renewal Grants for schemes approved prior to 1 April 1999. The estimate of the amount to be reimbursed has reduced by £10,000.
- 2.5 Total spending power for 2002/03 is estimated at £4.041m, which is a reduction of £0.141m from the original 2001/02 estimates. While there has been an increase in DTLR allocations of £0.323m, principally in Basic Credit Approvals, there has been a reduction of £0.464 in inhouse resources. This is due to there being a lower level of unallocated resources being brought forward from previous years and the overall effect is to reduce the amount of resources available for Private Sector schemes.
- 2.6 No allowance has been made in the estimates for any capital receipt from the potential sale of Stillwater Park or for any possible resources generated from accounting changes on commutation and the minimum revenue provision, as reported to Cabinet on 2 January 2002 (Report F). Approximately 10 new homes could be generated from additional resources of £400,000.

### **3. REVISED 2001/02 CAPITAL PROGRAMME**

- 3.1 On 21 November 2001 (Report C), Housing Panel Members were advised of the latest anticipated capital programme for 2001/02, which totalled £3.995m. This was a reduction of £0.813m from the original estimate, principally due to the rephasing of the Dreamland site Social Housing Grant scheme and slippage of £200,000 in the Environmental Enhancements programme.
- # References to all approved variations are given in Appendix 3.
- 3.2 Latest projections of the Social Housing Grant programme show that expenditure of £160,000 will slip into 2002/03 and as described in paragraph 2.4.2, Environmental Enhancement expenditure will increase by £70,000.
- 3.3 After allowing for the items identified in paragraph 3.2, spending power exceeds the anticipated programme by £0.502m. While it would still be

possible to spend additional sums on SHG schemes this year, this would probably not be on schemes that would offer good value for money. It is therefore proposed that the surplus spending power is carried forward to 2002/03 to cover the slippage and maintain a balanced programme across the two years.

- # 3.4 The proposed revised 2001/02 capital programme totalling £3.905m is detailed in Appendix 4.
- 3.5 Regular contact is being maintained with partner Housing Associations and in the event that other good value opportunities arise, a request will be made to Cabinet to bring funding forward into 2001/02.

#### 4. COMPARISON OF ESTIMATED CAPITAL EXPENDITURE WITH SPENDING POWER FOR 2002/03

- 4.1 Estimated spending power for 2002/03 is £4.041m (see paragraph 2.3).
- 4.2 As detailed below, committed and earmarked expenditure account for £1.679m, leaving a balance of spending power totalling £2.362m to fund uncommitted schemes.

	<b>£000</b>
Spending Power	4,041
Less:	
Committed Expenditure	(a) 919
Earmarked	
- Environmental Enhancements	(b) 500
- Disabled Facilities Grants	(c) 260
Balance to fund uncommitted Schemes	2,362

- (a) **Committed Expenditure** – This refers to the Council’s outstanding contractual commitments. The sum of £919,000 relates to the final payments of Private Sector Renewal Grants (£217,000), Home Repairs Assistance (£100,000), Disabled Facilities Grants (£200,000) and SHG (£402,000) on schemes commencing during 2001/02.

While there would also be commitments on Environmental Enhancement works, these have not been separately identified as they are all fully funded by earmarked HRA resources shown in (b) below.

- (b) **Environmental Enhancements** – Revenue funding raised from rents or HRA working balances can only be used to fund capital expenditure on the Council’s housing assets. Consequently, if the proposed revenue contribution to capital expenditure from the HRA is approved (see HRA Estimates report), the 2002/03 Capital Programme must include a budget of at least £500,000.

- (c) **Disabled Facilities Grants** – These are classified as mandatory expenditure. A specific DTLR allocation backed by Government funding covers 60% of the grant payable but the Council must fund the balancing 40% from its other capital resources. The allocation for 2002/03 has not yet been notified and therefore, for the purposes of this report, an allocation of £240,000 has been assumed, as this equals the allocation for 2001/02. In addition, there is an estimated £38,000 allocation to be brought forward from 2001/02. Consequently, if the Council is to optimise its spending power, budget provision of £460,000 should be included in the capital programme.

- 4.3 When approving the HIP submission, Members gave initial consideration to the relative priority of schemes. Based on an anticipated spending power of £4.195m, the priority list would have resulted in the following capital programme.

	<b>EARMARKED/ COMMITTED</b>	<b>UNCOMMITTED</b>	<b>TOTAL PROPOSED PROGRAMME</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Enabling (SHG)	423	2,237	2,660
Environmental Enhancements	500		500
Disabled Facilities Grants	400		400
Private Sector Renewal Grants	217	217	434
Home Repairs Assistance	100	101	201
	<hr/> 1,640	<hr/> 2,555	<hr/> 4,195 <hr/>

- 4.4 The spending power now estimated to be available is £154,000 less than when the initial priority listing was considered. This, together with a £39,000 increase in the anticipated committed/earmarked resources, reduces the uncommitted resources by £193,000. When setting the original 2001/02 capital estimates, £315,000 was transferred from Private Sector Renewal Grants to Social Housing Grant, following a significant reduction in overall resources. It is therefore proposed that the 2002/03 Private Sector Renewals Grant budget is maintained at 2001/02 levels and the uncommitted Social Housing Grant budget is reduced by the £193,000. However, should additional resources become available during 2002/03, it is proposed that these be allocated to Social Housing Grant, subject to Member approval at the time. This would result in the following capital programme:-

	<b>EARMARKED/ COMMITTED</b>	<b>UNCOMMITTED</b>	<b>TOTAL PROPOSED PROGRAMME</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Enabling (SHG)	402	2,044	2,446
Environmental Enhancements	500	-	500
Disabled Facilities Grants	460	-	460
Private Sector Renewal Grants	217	217	434
Home Repairs Assistance	100	101	201
	<b>1,679</b>	<b>2,362</b>	<b>4,041</b>

- 4.5 **Commitments 2003/04** – Most local authority financed SHG schemes are funded in three stages; acquisition (40%), start on site (40%) and completion (20%). Consequently, some of the schemes planned to start in 2002/03 would not be completed until 2003/04. Assuming a standard mix of schemes there will be a commitment of £511,000 for 2003/04. Similarly, Housing Improvement Grants are made in stage payments. Assuming a similar phasing of schemes as in 2001/02 there will be a commitment of £517,000 for 2003/04. Appendix 4 shows these commitments in 2003/04.
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- 4.6 Based upon the proposals in paragraph 4.4, the Housing Capital programme for 2002/03 for submission to Council on 25 February 2002 is detailed in Appendix 4. In the event that the notified SCA for Disabled Facility Grants varies from £240,000, the programme will be adjusted to maximise resource utilisation.
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## 5. TENANTS COMMENTS

- 5.1 Tenants are considering this report on 28 January 2002. Their comments will be reported orally at the Cabinet meeting.

## 6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental implications arising directly from this report.

## 7. CRIME AND DISORDER IMPLICATIONS

- 7.1 There are no crime and disorder implications arising directly from this report.

## 8. RECOMMENDATIONS

- 8.1 Cabinet are requested to consider and recommend the capital estimates, for 2001/02 revised and 2002/03, to Council

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**Background Papers:**

Housing Review Panel 27 June 2001  
Housing Investment Programme  
2000/01 and 2001/02 (Report C)

## **APPENDIX 1**

### **GLOSSARY OF TECHNICAL TERMS**

#### **ANNUAL CAPITAL GUIDELINES (ACG)**

Maximum borrowing limit set for each Council by Central Government for capital spending.

#### **BASIC CREDIT APPROVAL (BCA)**

Authorisations given by the Government to raise loans or enter into credit arrangements to finance capital expenditure.

#### **CAPITAL FINANCING RESOURCES**

Money set aside from revenue funds, grants, usable capital receipts, developers' contributions and money borrowed to finance capital spending.

#### **CAPITAL RECEIPTS**

Income from the sale of fixed assets such as land, buildings and Council Houses.

#### **OVER-PROGRAMMING/UNDER-PROGRAMMING**

The extent to which the capital expenditure programme exceeds (over-programming) or falls short of (under-programming) the available spending power.

#### **PERMITTED ENHANCEMENTS**

Items such as usable capital receipts and contributions from revenue accounts, which increase the Council's spending power over and above the basic and supplementary credit approvals.

#### **REVENUE CONTRIBUTION**

Money provided in revenue budgets to finance capital expenditure.

#### **SPENDING POWER**

The total amount that may be spent on capital projects. It comprises basic and supplementary credit approvals, capital grants, usable receipts, developers' contributions and contributions from revenue and revenue funds.

#### **STANDARD SPENDING ASSESSMENT (SSA)**

The Government's calculation of what each local authority would need to spend in order to provide a 'standard' level of service.

**SUPPLEMENTARY CREDIT APPROVALS (SCA'S)**

Authorisation given by the Government to raise loans or enter into credit arrangements to finance expenditure in respect of a specific capital project. Additional to the basic credit approval (BCA).

**USABLE CAPITAL RECEIPTS**

The proportion of capital receipts which are permitted to increase the Council's spending power; currently set at 50% for land and 25% from sale of Council houses and other housing capital receipts.

**COMMITTED**

Those projects where contracts have been let and thus there is a legal obligation on the Council. Although contracts may be cancelled, at a negotiated cost, it is accepted that the projects had sufficient priority ranking in the original bidding for resources to have reached this stage of commitment.

**UNCOMMITTED**

Bids for new projects. The overall priority of the Capital Programme will be determined by the Policy and Resources Committee having regard to the Capital resources available and the revenue implications.



**ESTIMATED SPENDING POWER**

	<b>ORIGINAL 2001/02 £'000</b>	<b>REVISED 2001/02 £'000</b>	<b>ORIGINAL 2002/03 £'000</b>
<u>Credit Approvals</u>			
B.C.A. - Housing	1,341	1,341	1,661
S.C.A. - Specified Capital Grant (DFG's)			
Current Year	240	240	240
Brought forward from previous year	15	38	38
<u>Specific Grant (Private Sector Renewal)</u>	20	10	
<b>TOTAL DTLR ALLOCATIONS</b>	<b>1,616</b>	<b>1,629</b>	<b>1,939</b>
<u>Capital Receipts Enhancements</u>	1,073	1,362	1,100
<u>Revenue Contribution (HRA)</u> - Current Year	500	370	370
- Brought Forward			130
<u>Brought Forward From Previous Year</u>	993	1,046	502
<b>TOTAL IN-HOUSE RESOURCES</b>	<b>2,566</b>	<b>2,778</b>	<b>2,102</b>
<b>TOTAL ESTIMATED SPENDING POWER</b>	<b>4,182</b>	<b>4,407</b>	<b>4,041</b>

The revised estimate of spending power in 2001/02 is £4.407m, which is an increase of £0.225m from the original estimate of £4.182m. This increase is summarised as follows:

	<b>£'000 Reference</b>
Brought Forward from Previous Year	76 27 June 2001 - Report C
Capital Receipts Enhancements	289 see paragraph 2.4.1
Revenue Contribution (HRA)	-130 see paragraph 2.4.2
Specific Grant (Private Sector Renewal)	-10 see paragraph 2.4.3
<b>Total Additional Resources</b>	<b>225</b>

**HOUSING CAPITAL PROGRAMME - VARIATIONS**  
**SINCE ORIGINAL ESTIMATE**

	<b><u>£'000</u></b>	
<b><u>Original Estimate 2001/02</u></b>	4,808	
<b><u>Variations since Original Estimate</u></b>		<b>Reference</b>
<b><u>Private Sector</u></b>		
Social Housing Grant	-626	P&R 18/4/01 - Report Q
Social Housing Grant	13	19 Sept. 2001 - Report C
Environmental Enhancements	-200	21 Nov. 2001 - Report C
<b><u>Previously Approved Programme</u></b>	3,995	
Environmental Enhancements	70	paragraph 2.4.2
Social Housing Grant	-160	paragraph 3.2
<b><u>Revised Estimate 2001/02</u></b>	<b>3,905</b>	

**HOUSING PORTFOLIO - CAPITAL ESTIMATES 2002/03**

PROJECT	ESTIMATED COST	ACTUAL TO 31/03/01	----- 2001/02 -----		ESTIMATE 2002/03	POST 2002/03
			ESTIMATED	REVISED		
	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>PRIVATE SECTOR</u></b>						
<b><u>Improvement Grants</u></b>						
Private Sector Renewal	1,085	-	434	434	434	217
Disabled Facilities Grants	1,060	-	400	400	460	200
Home Repairs Assistance	502	-	201	201	201	100
<b>TOTAL IMPROVEMENT GRANTS</b>	<b>2,647</b>	<b>-</b>	<b>1,035</b>	<b>1,035</b>	<b>1,095</b>	<b>517</b>
<b><u>ENABLING ACTIVITIES</u></b>						
<b><u>- Social Housing Grant</u></b>						
West Street, Fordingbridge	567	454	113	113	-	-
Stopples Lane, Hordle	161	129	32	-	32	-
The Pine Store, Burley	100	80	20	20	-	-
Temporary Social Housing	-	-	65	-	-	-
Faircross Close Ph.1, Fawley	-	-	40	-	-	-
Faircross Close Ph.2, Fawley	163	106	46	57	-	-
Holly Close, Hythe	50	-	30	50	-	-
Dreamland, Hythe (For Rent)	891	713	891	178	-	-
Dreamland, Hythe (For Sale)	108	103	108	5	-	-
Do It Yourself Shared Ownership	281	-	-	281	-	-
Purchase and Repair	450	329	39	121	-	-
Hazel Farm, Totton (For Rent)	857	-	-	686	171	-
Hazel Farm, Totton (For Sale)	81	-	-	-	81	-
West Street, Fordingbridge	188	-	38	188	-	-
Temporary Social Housing	21	9	39	12	-	-
Everton Road, Hordle	146	118	30	28	-	-
Lawford Way, Totton	317	-	317	254	63	-
Mortimer Close, Totton	20	16	-	4	-	-
Clockhouse	119	-	-	95	24	-
Ash Close	153	-	-	122	31	-
May Cottages	82	43	-	39	-	-
Domestic Violence - Safer Communities	153	-	-	153	-	-
New Starts	2,649	-	1,465	94	2,044	511
	<b>7,557</b>	<b>2,100</b>	<b>3,273</b>	<b>2,500</b>	<b>2,446</b>	<b>511</b>
<b>TOTAL PRIVATE SECTOR</b>	<b>10,204</b>	<b>2,100</b>	<b>4,308</b>	<b>3,535</b>	<b>3,541</b>	<b>1,028</b>
<b><u>PUBLIC SECTOR</u></b>						
<b><u>RENOVATION WORKS</u></b>						
Capitalised Repairs / Env. Enhancements	870	-	500	370	500	-
<b>TOTAL RENOVATION WORKS</b>	<b>870</b>	<b>-</b>	<b>500</b>	<b>370</b>	<b>500</b>	<b>-</b>
<b>TOTAL PUBLIC SECTOR</b>	<b>870</b>	<b>-</b>	<b>500</b>	<b>370</b>	<b>500</b>	<b>-</b>
<b>COMMITTEE TOTAL GROSS COST</b>	<b>11,074</b>	<b>2,100</b>	<b>4,808</b>	<b>3,905</b>	<b>4,041</b>	<b>1,028</b>