

CABINET - 6 JANUARY 2003

HOUSING CAPITAL ESTIMATES 2003/04

1. INTRODUCTION

- 1.1 Housing Portfolio's draft capital estimates for 2003/04 are submitted for consideration with this report.
- 1.2 Cabinet is asked to approve the estimates, which will be considered by the Housing, Health and Social Inclusion Review Panel on 22 January 2003 and eventually be submitted to Council on 24th February 2003.
- 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 Alfons Michel 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 2002/03 and 2003/04 is summarised in the following table. A full breakdown of the sources of the spending power is included in **Appendix 2**.

	ORIGINAL 2002/03 £000	ORIGINAL 2003/04 £000	VARIATION £000
DTLR Allocations	1,939	1,735	-204
In-house resources	2,102	1,520	-582
	<u>4,041</u>	<u>3,255</u>	<u>-786</u>

- 2.4 The total basic credit approval awarded to the Council for 2003/04 is £1.612m. This is a reduction of £248,000 from the 2002/03 award. The proportion of the reduction allocated to Housing is £202,000.
- 2.5 In addition to the Basic Credit Approval, the Government issues a specific allocation to cover 60% of the expenditure incurred on Disabled Facilities Grants. For 2002/03, the allocation awarded was £361,000 but the Council set its original grants budget to only use £276,000. The allocation for 2003/04 has not yet been notified and therefore, for the purpose of this report, the ODPM (Office of the Deputy Prime Minister) allocation to be utilised in 2003/04 has been assumed to be £276,000, to enable expenditure to remain at 2002/03 levels.

- 2.6 In accordance with the Housing Revenue Account business plan, approved by Cabinet on 8 July 2002, no revenue contribution to capital from the Housing Revenue Account will be made in 2003/04. This reduces the resources available to fund capital expenditure by £500,000 and will result in no funding being available for Environmental Enhancements.
- 2.7 Estimated unallocated resources to be carried forward from 2002/03 to 2003/04 are £420,000. This is a reduction of £82,000 from the level of resources carried forward into 2002/03 from 2001/02.
- 2.8 In summary, the total reduction of £786,000 in spending power from 2002/03 to 2003/04, is due to the following:

	£
Reduced BCA allocation	-202
Deleted Revenue Contribution	-500
Reduced resources brought forward	-82
other	-2
	<u>-786</u>

- 2.9 No allowance has been made in the estimates for any capital receipt from the sale of Stillwater Park or any other potential land sales.

3. COMPARISON OF ESTIMATED CAPITAL EXPENDITURE WITH SPENDING POWER FOR 2003/04

- 3.1 Estimated spending power for 2003/04 is £3.255m (see paragraph 2.3).
- 3.2 As detailed below, committed and earmarked expenditure account for £1.243m, leaving a balance of spending power of £2.012m to fund uncommitted schemes.

	£000
Spending Power	3255
Less:	
Committed Expenditure	(a) 983
Earmarked	
- SHG	
- Disabled Facilities Grants	(b) 260
Balance to fund uncommitted Schemes	<u>2012</u>

- (a) **Committed Expenditure** – This refers to the Council's outstanding contractual commitments. The sum of £983,000 relates to the final payments of Private Sector Renewal Grants / Home Repairs Assistance (£325,000), Disabled Facilities Grants (£200,000) and SHG (£458,000) on schemes commencing during 2002/03.
- (b) **Disabled Facilities Grants** - As detailed in paragraph 2.5, a specific ODPM allocation covers 60% of expenditure on Disabled

Facilities Grants but the Council has to finance the 40% balance from its own resources. Based on the assumed allocation of £276,000, the Council would need to set an expenditure budget of £460,000.

- 3.3 It is proposed to maintain the 2003/04 Private Sector Renewal Grants and Home Repairs Assistance budget at the predicted 2002/03 outturn level figure of £435,000. This requires an allocation of £110,000 from the uncommitted resources. The £1.902m balance of uncommitted resources is proposed to be allocated to Social Housing Grant.
- 3.4 Based on the assumption / proposal in paragraphs 3.2(b) and 3.3 the following capital programme would result:

	EARMARKED/ COMMITTED	UNCOMMITTED	TOTAL PROPOSED PROGRAMME
	£000	£000	£000
Enabling (SHG)	458	1,902	2,360
Disabled Facilities Grants	460		460
Private Sector Renewal Grants/Home Repairs	325	110	435
	1,243	2,012	3,255

- 3.5 **Commitments 2004/05** – 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 2003/04 would not be completed until 2004/05. Assuming a standard mix of schemes there will be a commitment of £476,000 for 2004/05. Similarly, Housing Improvement Grants are made in stage payments. Assuming a similar phasing of schemes as in 2002/03 there will be a commitment of £218,000 for 2004/05. **Appendix 3** shows these commitments in 2004/05.
- 3.6 Based upon the proposals in paragraph 3.4, the Housing Capital programme for 2003/04 for consideration by the Review Panel and eventual submission to Council on 24 February 2003 is detailed in **Appendix 3**.

4. ENVIRONMENTAL IMPLICATIONS

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

5. CRIME AND DISORDER IMPLICATIONS

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

6. RECOMMENDATIONS

- 6.1 Cabinet are requested to consider and recommend the 2003/04 capital estimates to Council.

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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 APPROVAL (SCA)

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

	ORIGINAL 2002/03 £'000	REVISED 2002/03 £'000	ORIGINAL 2003/04 £'000
<u>Credit Approvals</u>			
B.C.A. - Housing	1,661	1,661	1,459
S.C.A. - Specified Capital Grant (DFG's)			
Current Year	240	306	276
Brought forward from previous year	38		
<u>Grant (DFG)</u>		20	
TOTAL DTLR ALLOCATIONS	1,939	1,987	1,735
<u>Capital Receipts Enhancements</u>	1,100	1,200	1,100
<u>Revenue Contribution (HRA)</u> - Current Year	370	500	-
- Brought Forward	130	-	-
<u>Brought Forward From Previous Year</u>	502	761	420
TOTAL IN-HOUSE RESOURCES	2,102	2,461	1,520
TOTAL ESTIMATED SPENDING POWER	4,041	4,448	3,255
Less: ESTIMATED EXPENDITURE	4,041	4,028	3,255
UNALLOCATED RESOURCES	-	420	-

HOUSING PORTFOLIO - CAPITAL ESTIMATES 2003/04

PROJECT	ESTIMATED TOTAL COST £'000	ACTUAL TO 31/03/02 £'000	----- 2002/03 -----		ESTIMATE 2003/04 £'000	POST 2003/04 £'000
			ORIGINAL ESTIMATE £'000	LATEST ESTIMATE £'000		
<u>PRIVATE SECTOR</u>						
<u>Improvement Grants</u>						
Private Sector Renewal/Home Repairs	1,088	-	635	435	435	218
Disabled Facilities Grants	970	-	460	510	460	
TOTAL IMPROVEMENT GRANTS	2,058	-	1,095	945	895	218
<u>ENABLING ACTIVITIES</u>						
<u>- Social Housing Grant</u>						
Stopples Lane, Hordle	161	129	32	32		-
Hazel Farm Ph 3 (For Rent)	850	667	171	183		-
Hazel Farm Ph 3 (Shared Ownership)	81	-	81	81		-
Hazel Farm Ph 4 (For Rent)	1,222			978	244	
Hazel Farm Ph 4 (Shared Ownership)	287			273	14	
Lawford Way, Totton	317	254	63	63		-
Clockhouse	119	-	24	48	71	-
Ash Close	154	123	31	31		-
Ash Close Phase 2	142		-	142		
Knightwood Road	29	19	-	10		
Chepstow Close	21		-	21		
Safer Communities	169		-	135	34	
Temporary Social Housing	3		-	3		
Water Lane	389		-	311	78	
Womens Refuge	85		-	68	17	
New Starts	2,582	-	2,044	204	1,902	476
	6,611	1,192	2,446	2,583	2,360	476
TOTAL PRIVATE SECTOR	8,669	1,192	3,541	3,528	3,255	694
<u>PUBLIC SECTOR</u>						
<u>RENOVATION WORKS</u>						
Env. Enhancements	500	-	500	500	-	-
TOTAL RENOVATION WORKS	500	-	500	500	-	-
TOTAL PUBLIC SECTOR	500	-	500	500	-	-
COMMITTEE TOTAL GROSS COST	9,169	1,192	4,041	4,028	3,255	694