

CABINET – 7 JANUARY 2004

HOUSING CAPITAL ESTIMATES 2004/05

1. INTRODUCTION

- 1.1 Housing Portfolio's draft capital estimates for 2004/05 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 21 January 2004 and eventually submitted to Council on 23 February 2004.
- 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 As a result of the introduction of the 'Prudential' capital finance code from 2004/05 the size of the capital programme is no longer constrained by capital allocations authorised by Government.
- 2.2 Spending power is nonetheless limited in terms of available usable capital receipts and the ability to fund capital expenditure from revenue sources (Council Tax, HRA rents and balances).
- 2.3 Estimated spending power for 2003/04 and 2004/05 is summarised in the following table. A full breakdown of the sources of the spending power is included in **Appendix 2**.

	ORIGINAL 2003/04 £000	ORIGINAL 2004/05 £000	VARIATION £000
ODPM Allocations (2.4)	1,735	276	-1,459
Major Repairs Allowance (2.5)	3,214	3,127	-87
Subtotal Government Funding	4,949	3,403	-1,546
In-house resources (2.6)	1,892	2,034	142
Total	6,841	5,437	-1,404

- 2.4 As a result of the introduction of the 'Prudential Code' the Government will no longer provide Credit Approvals. In the past, the Council could only borrow money with such approval but this approval is no longer required. The Government is however continuing to support an element of capital expenditure through the Revenue Support Grant and through Housing Revenue Account subsidy. This equates to support of £8,570 for interest

costs to the General Fund. Precise details in respect of the HRA will be announced in January. The revenue support is based on assumed borrowing of £648k on General Fund activities and £797k on Council stock.

- 2.5 In addition, the Government issues a specific allocation to cover 60% of the expenditure incurred on Private Sector Disabled Facilities Grants. For 2003/04, the Council is expecting to spend a total of £400,000 on such grants. Of this, £240,000 (60%) is borne by Government grant, with the remaining £160,000 being borne by the Council. The allocation for 2004/05 has not yet been notified but for the purposes of this report it has been assumed that grant will continue at £240,000. Unutilised grant resources of £36,000 from 2003/04 can be carried forward to 2004/05, making the total available £276,000.
- 2.6 Based on a subsidy allocation of £596.20 per dwelling, the Council will receive Major Repairs Allowance subsidy of £3.127m within the Housing Revenue Account in 2004/05. This is a reduction of £87,000 from 2003/04, due to a fall in the number of dwellings (£46,800) and a reduction of £40,200 in the unit allowance. The subsidy received is utilised to fund capital expenditure on the Council's housing stock.
- 2.7 Estimated usable capital receipts in 2004/05 amount to £1.100m. Together with a projection of £0.323m of unallocated resources to be carried forward from 2003/04, a revenue contribution to major repairs of £361,000 and of £250,000 towards the cost of environmental enhancements, total internal resources are expected to amount to £2.034m. This is an increase of £142k compared to the 2003/04 budget, principally due to the reinstatement of the revenue contribution for environmental enhancements.

3. PROPOSED SPENDING PROGRAMME POWER FOR 2004/05

- 3.1 Proposed expenditure is principally based on the continuation of the existing capital programme on a cash expenditure basis, with the exceptions outlined in section 3.2 below. On this basis, the following programme will be required in 2004/05:

Renovation Grants	£435,000
Disabled Facilities Grants	£460,000
New Housing	£2,113,000
Major Repairs	£3,488,000
Environmental Enhancements	250,000
TOTAL	<u>£6,746,000</u>

The proposed budget for Disabled Facilities Grants has been reinstated to the original 2003/04 budget level of £460,000. Expenditure on Major Repairs to the Council's stock will reduce by £98,000, in line with the reduction of £87,000 in Major Repairs Allowance subsidy and an £11,000 reduction in the revenue contribution from the HRA, in accordance with the approved business plan. Due to the result of a favourable HRA subsidy settlement the Council is however able to reinstate a program of environmental enhancements funded from an HRA revenue contribution.

- 3.2 At the time of preparing this report it is not known, what level of resources will be allocated to the New Forest area by the Regional Housing Board. Once this information is available Members may wish to review the level of the Council's financial capital investment.
- 3.3 Based on the assumption / proposal in paragraphs 3.1 and 3.2 the following capital programme would result:

	EARMARKED/C OMMITTED	UNCOMMITTED	TOTAL PROPOSED PROGRAMME
	£000	£000	£000
Major Repairs		3,488	3,488
New Housing / SHG	373	1,740	2,113
Disabled Facilities Grants	460		460
Environmental Enhancements		250	250
Renovation Grants	218	217	435
	<u>1,051</u>	<u>5,695</u>	<u>6,746</u>

3.5 Earmarked / Committed 2005/06 Expenditure

3.5.1 **Social Housing Grant** - Most local authority financed SHG schemes are funded in three stages; acquisition (40%), start on site (40%) and completion (20%). Consequently, schemes started in past years result in an expenditure commitment in 2004/05 of £373,000 and hence reduce funding for new schemes to £1.740m. SHG schemes commencing in 2004/05 would create an estimated expenditure commitment of £420,000 for 2005/06.

3.5.2 **Renovation Grants** – These are made in stage payments. Assuming a similar phasing of schemes as in 2003/04 there will be an ongoing expenditure commitment of £218,000 for 2004/05 from existing schemes and a projected future commitment from new schemes entered into in 2004/05. **Appendix 3** shows these future commitments in 2005/06.

3.5.3 **Disabled Facilities Grant** – 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 overall expenditure level of £460,000, the Council would need to contribute £184,000.

4. COMPARISON OF ESTIMATED SPENDING POWER AND PROPOSED EXPENDITURE FOR 2004/05

- 4.1 The total capital spending requirement of £6.746m compares to available resources of £5.437m. The gap between the total projected expenditure requirement and total available resources is therefore projected to be £1.309m.

- 4.2 In the past, this gap would have been financed through the utilisation of Credit Approvals authorised by Government. Under the prudential code these specific allocations are no longer required and the Council is therefore free to incur the required expenditure within borrowing parameters set by the Council itself.
- 4.3 There are however 3 factors which may constrain this choice:
1. The council no longer receives a reimbursement of Social Housing Grant payments from the Housing Corporation and as a result any payments lead to ongoing costs in terms of interest payments.
 2. The Council would not obtain any assets when borrowing to cover expenditure on Renovation Grants, Disabled Facilities Grants or Social Housing Grant. Any costs of borrowing in these areas would fall on the General Fund.
 3. Using the scope for borrowing given under the 'Prudential Code' could negatively affect the benefits the Council might gain from 'Debt Free' status.
- 4.4 Debt free status could allow the Council the potential to retain a significant amount of capital receipts that would otherwise have to be set aside and paid over to the Government under pooling arrangements for a period of 3 years. Given the resource requirements identified above and current levels of capital receipts, this would allow the Council to bridge the gap identified in 2004/05. This issue is considered in detail within a separate report on this agenda.
- 4.5 The above content of this report assumes that new housing provision would be achieved through Social Housing Grant payments to Registered Social Landlords. Members may wish to consider the implications of new provision being directly provided by the Council

5. ENVIRONMENTAL IMPLICATIONS

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

6. CRIME AND DISORDER IMPLICATIONS

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

7. PORTFOLIO HOLDER COMMENTS

- 7.1 The Portfolio Holder supports the proposed capital programme but notes that it may need to be subject to review once details of the resources to be allocated to the area by the Regional Housing Board are known and once

the Council determines its strategy with regard to debt free status or further borrowing.

8. RECOMMENDATIONS

- 8.1 Cabinet are recommended to approve the capital estimates set out in Appendix 3 and to note that amendments may be required once details of the Regional Housing Board allocations have been announced and once the Council's capital financing strategy has been determined.

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APPENDIX 1

GLOSSARY OF TECHNICAL TERMS

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.

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 2003/04 £'000	REVISED 2003/04 £'000	ORIGINAL 2004/05 £'000
<u>Government Allocations</u>			
B.C.A. - Housing	1,459	1,497	
Disabled Facilities Grant (SCA / Grant)	276	240	276
Major Repairs Allowance (HRA Subsidy)	3,214	3,214	3,127
TOTAL ODPM ALLOCATIONS	4,949	4,951	3,403
<u>In-House Resources</u>			
Capital Receipts Enhancements	1,100	1,100	1,100
Developers Contributions		141	
Sale of Land		168	
Revenue Contribution to Major Repairs	372	372	361
Revenue Contribution to Environmental Enhancements			250
<u>Brought Forward From Previous Year</u>	420	20	323
TOTAL IN-HOUSE RESOURCES	1,892	1,801	2,034
TOTAL ESTIMATED SPENDING POWER	6,841	6,752	5,437
Less: ESTIMATED EXPENDITURE	6,841	6,387	6,746
UNALLOCATED RESOURCES / SHORTFALL	-	365	-1,309

APPENDIX 3

HOUSING PORTFOLIO - CAPITAL ESTIMATES 2004/05

PROJECT	ESTIMATED TOTAL COST	ACTUAL TO 31/03/03	----- 2003/04 -----		ESTIMATE 2004/05	POST 2004/05
			ORIGINAL ESTIMATE	LATEST ESTIMATE		
	£'000	£'000	£'000	£'000	£'000	£'000
PRIVATE SECTOR						
Improvement Grants						
Renovation Grants	1,088	-	435	435	435	218
Disabled Facilities Grants	860	-	460	400	460	
TOTAL IMPROVEMENT GRANTS	1,948	-	895	835	895	218
ENABLING ACTIVITIES						
- Social Housing Grant						
Stopples Lane, Hordle	335	303		32		
Hazel Farm Ph 4 (For Rent)	1,222	978	244	244		
Hazel Farm Ph 4 (Shared Ownership)	287	273	14	14		
Clockhouse	118	47	71	71		
Safer Communities	85		34	85		
Water Lane	-		78			
Womens Refuge	85	42	17	43		
Normandy Way - Sh/Ownership	290	145		130	15	
Normandy Way - Rented	1,410	564		564	282	
Rumbridge Street	252	117		135		
Burnt House Lane	162			86	76	
Dreamland Hythe	171			171		
Lime Kiln Lane	341			341		
- New Starts	2,210		1,902	50	1,740	420
	6,968	2,469	2,360	1,966	2,113	420
TOTAL PRIVATE SECTOR	8,916	2,469	3,255	2,801	3,008	638
PUBLIC SECTOR						
MAJOR REPAIRS						
Major Repairs Allowance (Subsidy)	6,341		3,214	3,214	3,127	-
Revenue Contribution to Major Repairs	733		372	372	361	
Environmental Enhancements	250				250	
TOTAL MAJOR REPAIRS	7,324	-	3,586	3,586	3,738	-
TOTAL PUBLIC SECTOR	7,324	-	3,586	3,586	3,738	-
COMMITTEE TOTAL GROSS COST	16,240	2,469	6,841	6,387	6,746	638