

## Report for Resolution

**Report to** Council  
22 February 2011  
**Report of** Head of Finance  
**Subject** Housing Capital Plan and Capital Programme 2011/12

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### Purpose

This report reviews the Housing Capital Programme for 2010/11 and presents Cabinet's recommended Housing Capital Plan for the years 2011 to 2013, Housing Capital Programme for 2011/12, and Capital Allowances for Council's approval

### Recommendations

That Council approve Cabinet's recommendations in respect of:

- (1) the Housing Capital Plan 2011-2013;
- (2) the Housing Capital Programme 2011/12;
- (3) the Capital Allowance set out for 2011/12 and the extinguishing of previous years' Capital Allowances as set out in Appendix 1;

### Financial Consequences

The financial consequences are as set out in this report.

### Risk Assessment

A detailed risk assessment is included in the body of the report. The key risk associated with the Housing Capital Programme is the lack of further funding being made available to complete the programme.

### Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority of Safe and Healthy Neighbourhoods.

### Cabinet Members:

Councillor Arthur – deputy leader & housing

Councillor Waters - resources, performance and shared services

**Ward:** All Wards

**Contact Officers**

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## Report

### The Housing Capital Plan

1. Table 1 indicates the anticipated levels of resources available to the Housing Capital Programme in future years. Due to the Government's proposed changes to future capital funding, it has not been possible to provide an accurate forecast post 2012/13. Further information regarding the provision of funding in future years is currently awaited from the Homes and Communities Agency.

**Table 1 – Housing Capital Resources**

| <b>Housing Capital Resources</b>                                    | <b>2011/12<br/>£'000s</b> | <b>2012/13<br/>£'000s</b> |
|---------------------------------------------------------------------|---------------------------|---------------------------|
| Capital Grants                                                      | 394                       | 394                       |
| Major Repairs Allowance                                             | 10,054                    | 9,842                     |
| Revenue Contribution to Capital - Planned                           | 4,192                     | 4,230                     |
| Revenue Contribution to Capital - Additional                        | 846                       | 0                         |
| Leaseholders                                                        | 250                       | 250                       |
| Capital receipts brought forward from previous year                 | 1,143                     | 0                         |
| Capital receipts arising from land sales                            | 375                       | 2,325                     |
| Capital Receipts – arising from RTB                                 | 930                       | 930                       |
| Capital Receipts – arising from houses/sites beyond economic repair | 2,000                     | 750                       |
| <b>Forecast funding</b>                                             | <b>20,184</b>             | <b>18,720</b>             |

2. The recession continues to affect the resources available and is anticipated to do so for the life of the plan. Capital receipts arising from Right to Buy sales are forecast to increase to a slightly higher level than in recent years.
3. The Decent Homes programme ended in 2010, and therefore the funding provided by the government to support the programme has also ceased.
4. It is anticipated that during 2011/12, 113 dwelling properties with a value of £6.981m will be appropriated from the General Fund to the HRA, because they are dwellings under part II of the Housing Act 1985 and therefore under part IV of the Local Government and Housing Act 1989 should fall within the Housing Revenue Account.

5. Table 2 indicates the anticipated levels of expenditure until 2012/13

**Table 2 – Housing Capital Plan**

| <b>Housing Capital Plan</b>                              | <b>2011/12<br/>£000s</b> | <b>2012/13<br/>£000s</b> |
|----------------------------------------------------------|--------------------------|--------------------------|
| <b><i>Public Sector</i></b>                              |                          |                          |
| Public Sector upgrades etc                               | 16,613                   | 15,541                   |
| <b>Total Public sector</b>                               | <b>16,613</b>            | <b>15,541</b>            |
| <b><i>Private Sector</i></b>                             |                          |                          |
| Capital grants to Housing Associations                   | 1,295                    | 2,285                    |
| Private Sector disabled facilities and renovation grants | 894                      | 894                      |
| Site acquisition, maintenance for redevelopment sites    | 1,382                    | 0                        |
| <b>Total Private sector</b>                              | <b>3,571</b>             | <b>3,179</b>             |
| <b>Total Housing Capital Programme</b>                   | <b>20,184</b>            | <b>18,720</b>            |
| Available resources from Table 1                         | 20,184                   | 18,720                   |
| <b>Deficit/(Surplus) of Housing Capital Resources</b>    | <b>0</b>                 | <b>0</b>                 |

6. The expenditure plans for the Public Sector programme included in the table above are based upon the anticipated costs arising from the interim contract with Lovell, projected through a 12 month period.

## Review of Housing Capital Programme 2010/11

7. Table 3 summarises the anticipated outturn figures for the 2010/11 Housing Capital Programme.

**Table 3 Housing Capital Programme 2010/11**

| <b>Housing Capital Programme</b>           | <b>Approved Budget 2010/11 £000s</b> | <b>Carried Forward 2009/10 £000s</b> | <b>Total Available 2010/11 £000s</b> | <b>Forecast Expenditure 2010/11 £000s</b> | <b>Forecast Variance 2010/11 £000s</b> |
|--------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------------|----------------------------------------|
| <b>Public Sector</b>                       |                                      |                                      |                                      |                                           |                                        |
| Decent Homes                               | 3,406                                | -                                    | 3,406                                | 1,256                                     | - 2,150                                |
| Heating                                    | 3,462                                | -                                    | 3,462                                | 1,831                                     | - 1,631                                |
| Windows                                    | 6,441                                | -                                    | 6,441                                | 1,681                                     | - 4,760                                |
| Community Safety                           | 200                                  | -                                    | 200                                  | 0                                         | - 200                                  |
| Preventative Maintenance                   | 1,988                                | 914                                  | 2,902                                | 531                                       | - 2,371                                |
| Supported Independent Living               | 991                                  | -                                    | 991                                  | 638                                       | - 353                                  |
| NCAS and IT enhancements                   | 146                                  | 114                                  | 260                                  | 114                                       | - 146                                  |
| Communal Bin Provision                     | 1,038                                | 312                                  | 1,350                                | 95                                        | - 1,255                                |
| Local Authority New Build                  | 1,446                                | -                                    | 1,446                                | -                                         | - 1,446                                |
| <b>Total Public sector</b>                 | <b>19,118</b>                        | <b>1,340</b>                         | <b>20,458</b>                        | <b>6,148</b>                              | <b>- 14,312</b>                        |
| <b>Private Sector</b>                      |                                      |                                      |                                      |                                           |                                        |
| Capital grants to Housing Associations     | 1,885                                | 619                                  | 2,504                                | 2,013                                     | - 491                                  |
| Private Sector disabled facilities grants  | 500                                  | -                                    | 500                                  | 480                                       | - 20                                   |
| Site maintenance concrete block properties | 600                                  | -                                    | 600                                  | 250                                       | - 350                                  |
| Renovation support in the Private Sector   | 426                                  | -                                    | 426                                  | 365                                       | - 61                                   |
| Decommissioning & security                 | -                                    | 66                                   | 66                                   | 25                                        | - 41                                   |
| <b>Total Private sector</b>                | <b>3,411</b>                         | <b>685</b>                           | <b>4,096</b>                         | <b>3,133</b>                              | <b>- 963</b>                           |
| <b>Total Housing Capital Programme</b>     | <b>22,529</b>                        | <b>2,025</b>                         | <b>24,554</b>                        | <b>9,281</b>                              | <b>- 15,275</b>                        |

8. Table 3 indicates a forecast total underspend of £14.312m on Public Sector and £0.963m on the Private Sector capital programmes
9. Slippage has been significant in 2010/11, primarily due to the collapse of Connaught, the Council's main contractor. It is planned that the following anticipated underspent budgets will be subject to carry forward requests once the final year-end position is established.

| <b>Public Sector</b>         | <b>Proposed Carry Forward Budget<br/>(subject to final year-end position)<br/>£000s</b> |
|------------------------------|-----------------------------------------------------------------------------------------|
| Decent Homes                 | 2,150                                                                                   |
| Heating                      | 1,540                                                                                   |
| Windows                      | 4,870                                                                                   |
| Community Safety             | 200                                                                                     |
| Preventative Maintenance     | 2,092                                                                                   |
| Supported Independent Living | 633                                                                                     |
| <b>Total</b>                 | <b>11,485</b>                                                                           |

10. In order to recover from the delays in the 2010/11 capital programme, it is planned to let additional interim contracts for Decent Homes kitchen and bathroom upgrades, heating upgrades and Community Safety door access control and CCTV upgrades. A further contract for the completion of the window replacement programme is currently being procured and tenders for Preventative Maintenance structural repairs and re-roofing are expected by mid February 2011.
11. Subject to the approval of the budget carry forward requests and 2011/12 capital budget, the proposed additional interim contracts will ensure the recovery of the capital programme in preparation for new permanent contract arrangements towards the end of 2011.
12. The planned construction of 11 homes as part of the Local Authority New Build programme did not go ahead following the withdrawal of the HCA funding allocation.

### **Recommended Housing Capital Programme 2011/12**

13. Table 4 details the Housing Capital Programme for approval

| <b>Housing Capital Plan</b>                              | <b>2011/12<br/>£000s</b> |
|----------------------------------------------------------|--------------------------|
| <b><i>Public Sector</i></b>                              |                          |
| Public Sector upgrades etc                               | 16,613                   |
| <b>Total Public sector</b>                               | <b>16,613</b>            |
| <b><i>Private Sector</i></b>                             |                          |
| Capital grants to Housing Associations                   | 1,295                    |
| Private Sector disabled facilities and renovation grants | 894                      |
| Site acquisition and maintenance of redevelopment sites  | 1,382                    |
| <b>Total Private sector</b>                              | <b>3,571</b>             |
| <b>Total Housing Capital Programme</b>                   | <b>20,184</b>            |

14. The complete public sector programme will deliver, amongst other priorities:

- 750 new kitchens and 357 new bathrooms
- Over 1,200 new heating systems or boilers
- 642 composite door replacements
- New PVCu windows to 2,300 homes

15. The level of grants to the Private Sector for disabled facilities and renovation has been reduced in line with the funding available.

## Risk Management

16. Risks to the Housing Capital Plan have been assessed and the main risks and mitigations identified in the table below

| Risk                                                                     | Probability | Impact | Mitigation                                                                                                                                                               |
|--------------------------------------------------------------------------|-------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital Receipts not received from RTB sales                             | M           | M      | Relatively low levels of RTB receipts have been forecast                                                                                                                 |
| Capital Receipts not received from sale of houses beyond economic repair | M           | L      | No plans to use funding until it has been received                                                                                                                       |
| Capital Receipts delayed                                                 | H           | M      | Use capital balances until funding secured                                                                                                                               |
| HCA capital scheme outputs not delivered                                 | M           | H      | Ensure close monitoring of outputs to ensure targets are met                                                                                                             |
| Grant levels decrease                                                    | M           | M      | Indicative Grant levels are known in advance, but not confirmed until after Council sets budget. Large variations are not expected.                                      |
| Level of returns from leaseholders does not match forecast               | L           | L      | Robust charging procedures under new contract to ensure amounts due are recovered                                                                                        |
| Cost overruns                                                            | L           | L      | New contract arrangements ensure maximum cost in standard areas. Quoted works will be managed within available budget. Incentivisation will help keep costs to a minimum |

### Capital Allowances

#### Introduction

- (1) The Capital Allowance is the mechanism through which local authorities can recycle non-RTB Capital Receipts, i.e., sales of housing land and buildings other than to secure tenants, for specified purposes, which are:
  - i) Certain costs of facilitating disposal which are:
    - a) obtaining planning permission for the development of the land, or taking any other steps required to facilitate such development
    - b) preparing the land for development
    - c) acquiring an interest, easement, servitude or right in or over the land or adjoining land; or
    - d) obtaining the release of a restrictive covenant affecting the land
  - ii) Certain costs which the Authority has incurred or has resolved to incur on the provision of affordable housing and regeneration projects which are:
    - a) constructing or improving dwellings, or providing dwellings by the conversion of a building or a part of a building
    - b) making a gift of land (this is where the authority transfers an interest in land and either no consideration falls to be given for the transfer or the value of the consideration that falls to be given for the transfer is less than the price that the interest transferred would realise at the date of the valuation if sold by the authority on the open market
    - c) paying a contribution, grant, or subsidy under any power conferred on the authority under any enactment or
    - d) giving consideration for any benefit that the authority has received, or will receive by virtue of the project
- (2) Provision of affordable housing is defined by Statutory Instrument to mean the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the authority or a registered social landlord.
- (3) Regeneration projects is defined by Statutory Instrument to mean the carrying out of works to bring into effective use within the Authority's area any land or building that is vacant, unused, under-used, ineffectively used, contaminated or derelict.

- (4) The approval by the Council of the Capital Allowance avoids these receipts being “pooled”, or paid over to central government.
- (5) The Capital Allowance is increased by amounts resolved by the Council to be spent on the qualifying purposes, and decreased (“extinguished”) by the amount of capital receipts received and applied to fund qualifying expenditure.

### **Capital Allowances 2006/07 to 2009/10**

- (6) For years up to and including 2008/09, the Department for Communities and Local Government has finalised pooling of housing capital receipts based upon audited claims submitted by the Council which included the following sums extinguishing Capital Allowance:
 

|         |               |
|---------|---------------|
| 2006/07 | £6,337,562.33 |
| 2007/08 | £2,186,811.00 |
| 2008/09 | £ 654,534.62  |
- (7) For 2009/10, a claim has been submitted and audited, and confirmation is awaited from the Department for Communities and Local Government that they have finalised pooling of housing capital receipts which include the following sums extinguishing Capital Allowance:
 

|         |               |
|---------|---------------|
| 2009/10 | £1,047,500.00 |
|---------|---------------|
- (8) These sums represent the Capital Allowance used (“extinguished”) in each year.

### **Capital Allowances 2010/11**

- (9) The Capital Allowance for 2010/11 is calculated, based upon amounts that the Council through the approval of the Housing Capital Programme 2010/11 has already resolved to spend on regeneration and affordable housing, as follows:

|                                                     |                    |                                                                             |
|-----------------------------------------------------|--------------------|-----------------------------------------------------------------------------|
| Brought forward from 2009/10                        | £13,271,965        | Planned non-HRA Housing Capital expenditure in 2009/10 slipped into 2010/11 |
| Planned non-HRA Housing Capital expenditure 2010/11 | £3,411,000         | As per approved Capital Programme 2010/11                                   |
| <b>Total Capital Allowance</b>                      | <b>£16,682,965</b> |                                                                             |

- (10) It is currently anticipated that £2,047,500 of the Capital Allowance will be extinguished (by applying non-RTB Capital Receipts) during the course of the 2010/11 financial year. Any shortfall in receipts during this year will be reflected by carrying forward the un-extinguished Capital Allowance into the 2011/12 financial year.

## Capital Allowances 2011/12

- (11) The Capital Allowance for 2011/12 is calculated, based upon amounts that the Council through the approval of the Housing Capital Programme 2011/12 will resolve to spend on regeneration and affordable housing, as follows:

|                                                     |                    |                                                                             |
|-----------------------------------------------------|--------------------|-----------------------------------------------------------------------------|
| Brought forward from 2010/11                        | £14,635,465        | Planned non-HRA Housing Capital expenditure in 2010/11 slipped into 2011/12 |
| Planned non-HRA Housing Capital expenditure 2011/12 | £ 3,571,000        | As per Capital Programme 2011/12 for approval                               |
| Total Capital Allowance                             | <b>£18,206,465</b> |                                                                             |

- (12) It is anticipated that £1,759,000 of the Capital Allowance will be extinguished (by applying non-RTB Capital Receipts) during the course of the financial year. Any shortfall in receipts during this year will be reflected by carrying forward the un-extinguished Capital Allowance into the 2012/13 financial year.