

Report for Resolution

Report to Executive
18 February 2009

Report of Director of Regeneration & Development and Chief
Financial Officer

Subject Housing Capital Plan 2009-2013 and Capital Programme
2009/10

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Purpose

This report presents the proposed Housing Capital Plan for the years 2009 to 2013, and the Housing Capital Programme for 2009/10 for approval, together with the associated updated Capital Allowances.

Recommendations

1. That the Executive recommend the Housing Capital Plan 2009-2013 to the Council for approval;
2. That the Executive approve the Housing Capital Programme 2009/10 as set out in the report;
3. That the Executive approve new Capital Allowances of £3.713m and note the extinguishing of £3.991m of Capital Allowances as set out in the report.

Financial Consequences

These are set out in the body of the report.

Risk Assessment

This is set out in paragraph 27 of the report.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners”

Executive Member

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Background Documents

HIPS Monitoring Reports

Briefing "Housing Capital Programme"

Capital Allowances report 23 July 2008

Report

Introduction

1. The Housing Capital Programme for 2008/09 was approved by Council on 19 February 2008. This report reviews the forecast end of year position and recommends the proposed Housing Capital Programme for 2009/010, and the Housing Capital Plan for future years.
2. The anticipated position for 2009/10 for the Housing Capital Plan is based upon estimated resources, as detailed later in the report.
3. The risks and potential mitigating actions around the Housing Capital Plan are also discussed.
4. The Housing Capital Plan has been developed within the context of the Corporate Plan, the Medium Term Financial Strategy, and the Housing Revenue Account Business Plan.
5. The report also proposes updated Capital Allowances for approval.

Review of Housing Capital Programme 2008/09

6. Table 1 indicates the anticipated outturn figures for the 2008/09 Housing Capital Programme

Table 1 – Housing Capital Programme 2008/09

Housing Capital Programme	Approved Budget 2008/09 £000s	Forecast Expenditure 2008/09 £000s	Forecast Variance 2008/09 £000s
Public Sector			
Decent Homes	4,212	4,228	16
Heating	4,460	4,370	(90)
Windows	4,250	4,350	100
Community Safety	625	541	(84)
Regeneration & Renewal	250	161	(89)
Preventative Maintenance	2,471	2,602	131
Supported Independent Living	1,246	1,146	(100)
NCAS and IT enhancements	184	112	(72)
Communal Bin Provision	600	80	(520)
Other	0	206	206
Total Public sector	18,298	17,796	(502)
Private Sector			
Capital grants to Housing Associations	9,476	7,212	(2,264)
Private Sector disabled facilities grants	490	375	(115)
Site maintenance concrete block properties	120	120	0
Renovation support in the Private Sector	1,250	1,100	(150)
Decommissioning and security	300	300	0
Total Private sector	11,636	9,107	(2,529)
Total Housing Capital Programme	29,934	26,903	(3,031)

7. Approved budgets include carry-forward from 2007/08 of:
 - Communal Boilers £300k
 - Re-Roofing £200k
 - Structural works £91k
 - Community Alarms £11k
 - Grants to RSLs £4,321k
8. Slippage on Communal Bin Stores and NCAS will be subject to carry-forward requests once the final year-end position is established.
9. The capital receipts from which Capital Grants to Housing Associations are funded on a 100% basis suffered severe slippage in last year, and this is expected to continue into 2009/10 and beyond as a result of the recession. Although the receipts and grants balance in total, there are year-on-year impacts of the timing of receipts and grant payments.
10. The closing of the 2007/08 accounts has required the Council to update its classification of capital and revenue expenditure in order to conform to proper accounting practices. Although the ramifications have not yet been worked through for the 2008/09 and 2009/10 programmes, it is likely that some of the capital expenditure included in the above table will be re-classified as revenue and funded from HRA balances, reducing the call on Capital resources. The impact of this will be reversed out through the 2009/10 Revenue Contribution to Capital Outlay, so that taking the two years together there will be no effect on the bottom line.

Capital Resources 2009/10 to 2012/13

11. Table 2 indicates a forecast of the resources likely to be available to the Housing Capital Plan.

Table 2 – Housing Capital Resources

Housing Capital Resources	2009/10	2010/11	2011/12	2012/13
Forecast Sources of funding	£000s	£000s	£000s	£000s
Supported Capital Expenditure Allocation	2,300	1,610	0	0
Capital Grants	270	270	270	270
Major Repairs Allowance (inc bal. brought forward)	9,879	9,978	10,078	10,178
Revenue Contribution to Capital – planned	6,002	6,192	6,192	4,192
Revenue Contribution to Capital – supplementary (see para 25)	1,557	(1,557)	0	0
Leaseholders	250	250	250	250
S106 commuted sums	0	0	0	0
Capital Receipts - existing b/f	0	0	2,163	247
Capital Receipts – arising from land sales	5,355	150	0	0
Capital Receipts – arising from RTB	600	600	600	600
Capital repaid from Non Housing Capital Programme	0	5,915	0	0
Forecast Resources	26,213	23,408	19,552	15,738

12. Assumptions have been made that Capital Grants for Disabled Facilities and continue at existing levels, and Major Repairs Allowance will increase at 1%

per annum.

13. Supported Capital Expenditure for the Decent Homes Programme will decrease in 2010/11 and cease after that year.
14. Receipts from Leaseholders are assumed to continue at current levels.
15. Receipts from RTB sales are based on continuing to sell about 20 properties per year. There is a risk that sales may fall short of even this level, in the present recession.
16. Capital receipts for land sales as part of the Greater Norwich Housing Development Partnership have been assumed at levels consistent with the partnership's draft programme.
17. Revenue Contributions to Capital Outlay are incorporated at the level set out in the Medium Term Financial Strategy, including funding for the accelerated Additional Windows Programme. A supplementary contribution is included as set out in para 25.
18. Capital Receipts repaid from the General Fund assume that there will be no significant receipt to the General Fund, and hence no ability to repay the amount borrowed, until 2010/11.

The Housing Capital Plan 2009/10 to 2012/13

19. Table 3 indicates the anticipated level of expenditure for the Housing Capital Plan for future years, taking into account the level of resources indicated in Table 2 and the proposed Capital Programme for 2009/10 set out in Table 4 following.

Table 3 – Housing Capital Plan

Housing Capital Plan	2009/10 £000s	2010/11 £000s	2011/12 £000s	2012/13 £000s
Public Sector				
Public Sector upgrades etc	16,760	16,500	15,890	13,890
Extra Window replacements	1,500	1,000	0	0
Communal Bin Provision	500	0	0	0
NCAS	126	0	0	0
Structural work to non-traditional properties	1,455			
Total Public sector	20,340	17,500	15,890	13,890
Private Sector				
Capital grants to Housing Associations	3,713	1,585	1,575	0
Private Sector disabled facilities grants	490	490	490	490
Site demolition, maintenance and preparation	420	420	100	100
Renovation support in the Private Sector	1,250	1,250	1,250	1,250
Total Private sector	5,873	3,745	3,415	1,840
Total Housing Capital Programme	26,213	21,245	19,305	15,730
Available resources from Table 2	26,213	23,408	19,552	15,738
Deficit/(Surplus) of Housing Capital Resources	(0)	(2,163)	(247)	(8)

20. The substantive Capital Plan would show a deficit of £1.557m in 2009/10, owing to the impact of the proposed Capital Programme 2009/10 (see following section)

and slippage of repayment of General Fund borrowing. This has been resolved through the proposed use of a supplementary Revenue Contribution to Capital, as set out in para 25.

The Housing Capital Programme 2009/10

21. Table 4 shows the proposed Housing Capital Programme for 2009/10

Table 4 – Housing Capital Programme 2009/10

Housing Capital Programme	Proposed Programme 2009/10 £000s
<i>Public Sector</i>	
Decent Homes	4,527
Heating	4,480
Windows	5,425
Community Safety	200
Regeneration & Renewal	500
Preventative Maintenance	1,778
Supported Independent Living	1,150
NCAS and IT enhancements	126
Communal Bin Provision	500
Other	1,655
Total Public sector	20,340
<i>Private Sector</i>	
Capital grants to Housing Associations	3,713
Private Sector disabled facilities grants	390
Site maintenance concrete block properties	120
Renovation support in the Private Sector	1,250
Decommissioning, security and maintenance	300
Total Private sector	5,773
Total Housing Capital Programme	26,113

22. This programme continues the programme of Decent Homes upgrades to meet the target date of 2010, and the accelerated replacement windows programme.

23. It will deliver, amongst other priorities:

- 700 properties will get new kitchens or bathrooms
- Over 1,000 new heating systems or boilers
- 714 properties rewired or electrically upgraded
- 165 properties re-roofed
- New PVCu windows to 1,600 homes

24. It also includes new investment to deal with structurally-challenged non-traditional properties, which will extend their useful life by up to 10 years:

- £199,000 for Wimpey No-Fines properties (34 council, 39 leaseholder)
- £1,256,000 for Omnia properties (139 council, 161 leaseholder)

25. The proposed Capital Programme would result in a deficit of £1.557m in capital

financing. If members wish to maintain progress towards meeting the Decent Homes Standard, fund the accelerated Windows Programme, and extend the useful life of the non-traditional stock, an additional contribution from HRA balances will be required. This would reduce the HRA balance to about £4.8m, some £2.3m in excess of the adequacy level advised by the Chief Financial Officer. The Capital Plan has been amended to incorporate a supplementary revenue contribution in 2009/10 to cover this shortfall, to be recouped from a reduced contribution in 2010/11. While not ideal, this will enable corporate priorities to be delivered upon, make effective use of resources, and maintain HRA balances at more than “adequate” levels.

26. Work will continue in order to secure the future financing of the housing capital programme, including by seeking to maximise the use of appropriate S.106 resources and by maximising the sustainable use of revenue balances.

Risk Management

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

Table 5 – Risk Assessment

Risk	Probability	Impact	Mitigation/Action
Forecast allowances not at assumed levels	L	M	Make representations to government bodies
Forecast non-RTB Capital Receipts not at assumed levels	H	M	Finance RSL Grants by reallocating receipts and “borrow” HRA balance.
Council house sales lower than expected	M	M	Accept and reduce expenditure or increase use of HRA balances
Cost overruns	L	L	Schemes are released on an annual basis to match budget availability, controlling overall spend
Increased urgent investment needed in non-traditional properties	L	M	Reduce other planned expenditure or increase use of HRA balances
2010 Re-provisioning of works contracts leads to increased prices and/or disrupted programme	L	H	Close involvement of Housing Property Services staff in re-provisioning exercise
General Fund borrowing repayment slips from 2010/11 to 2011/12	M	H	Further supplementary £2m RCCO from HRA balances.

Capital Allowances

28. 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, principally the provision of affordable housing and regeneration projects.
29. The approval by the Council of the Capital Allowance avoids these receipts being “pooled”, or paid over to central government. This is the mechanism which allows receipts from disposals to Housing Associations to be recycled as Capital Grants.
30. 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.
31. The Executive approved Capital Allowances for the 2008/09 financial year at its meeting of 23 July 2008.
32. The Capital Allowance for 2009/10 is calculated, based upon amounts that the Council through the approval of the Housing Capital Programme 2008/09 has already resolved to spend on regeneration and affordable housing, as follows:

Table 6 – Capital Allowances

Item	£000s	Comment
Brought forward from 2008/09	9,101	As approved 23 July 2008
Amount of Capital Allowance extinguished in 2007/08	-3,991	Non-RTB Housing Capital Receipts 2007/08 as per Statement of Accounts
New Capital Allowance 2009/10	3,713	Anticipated Capital Grants as per Capital Programme 2009/10
Total Capital Allowance 2009/10	8,823	

33. It is currently anticipated that £1.885m of the Capital Allowance will be extinguished (by applying non-RTB Capital Receipts) during the course of the 2008/09 financial year, and £5.355m during 2009/10, leaving a balance of £0.948m.
34. Any shortfalls in receipts during these years will be reflected by carrying forward the un-extinguished Capital Allowance into the next financial year.
35. The Executive is recommended to approve new Capital Allowances of £3.713m and to note the extinguishing of £3.991m as set out in the above table.