

REPORT TO: Housing Executive 17 July 2008
City Council 22 July 2008

REPORT BY: Head of Community Housing
Head of Housing Management
Strategic Director responsible for financial
administration (S.151 Local Government Act 1972)

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HOUSING INVESTMENT PROGRAMME (HIP) 2008/09 TO 2014/15

PURPOSE OF THIS REPORT

1. The main purpose of this report is to recommend for approval the revised programmes of capital spending on council and private housing proposed for 2008/09 and to note the proposed programmes for 2009/10 to 2014/15.

RECOMMENDED THAT:

- I. The revised 2008/09 programme set out in Appendix 4 and the associated capital financing set out in Appendix 3 be approved in the sum of £27.6 million.
- II. The programmes of £26.6 million, £21.7 million, £23.4 million, £24.1 million, £25.9 million and £25.9 million for the six financial years 2009/10 to 2014/15 be approved for use in providing information to the Government as required.
- III. The Prudential Indicators set out in Appendix 6 and the Budget Principles shown at Appendix 2 be approved.
- IV. That for the purposes of the Local Authorities (Capital Finance) (Amendment) Regulations 2003 the City Council resolve to spend £20 million on affordable housing in both 2008/09 and 2009/10. Furthermore that the capital receipts arising in each year from the disposal of surplus HRA assets be used 100% for the provision of affordable housing.
- V. The Head of Community Housing be given delegated authority in consultation with the Strategic Director responsible for financial administration (S.151 Local Government Act 1972) to approve arrangements for the joint City Council and Housing Corporation Programme for 2008/09 to 2010/11.
- VI. Authority be delegated to the Strategic Director responsible for financial administration (S.151 Local Government Act 1972) to alter the mix of capital funding sources used to finance the HIP to maximise the resources available to the Council.

PAPERS ENCLOSED WITH THIS REPORT

2. The following papers are attached:

Appendix 1 - A brief outline of the new prudential system of capital controls.

Appendix 2 - A copy of the Housing Strategy top strategic priorities for action plus Budget Principles adopted in preparing the revised programme.

Appendix 3 - A comparison of the revised capital spending proposals and estimated capital resources with those approved in February 2008.

Appendix 4 - The revised HIP spending proposals for 2008/09 to 2014/15 and details of the "Capital Planned Works" council housing budget.

Appendix 5 – A summary of major changes to the programme approved in February 2008.

Appendix 6 - The "Prudential Indicators" including details of the estimated revenue effects of the proposed capital programme.

BACKGROUND AND "DECENT HOMES"

3. In February 2008 the City Council approved a revised Housing Investment Programme as part of the City Council's overall capital spending programme. Appendix 3, lines 4 to 6 shows how proposed spending has changed in total & Appendix 5 shows the details behind those total changes. Appendix 3, lines 13 to 39 shows the changes in estimated resources from those reported in February 2008.
4. **Decent Homes for Council Housing** - The Government have issued a "Public Service Agreement" which defines a "Decent home" and seeks to ensure that ".. all social housing meets a set standard of decency by 2010 ... ". This has been welcomed by residents representatives who, together with staff from Health, Housing, and Social Care services have created a "Decent Homes Strategy" which includes standards for the environment surrounding homes as well as ensuring that the Government Target for 2010 is achieved. The Head of Housing Management considers that the budgets set out in Appendix 4 are sufficient to achieve the Decent Homes standard for council housing by the financial year 2010/11.
5. **Decent Homes for Private Housing** – In 2002 the Government issued a "Public Service Agreement" for Decent Homes in private housing setting a target of housing 70% of vulnerable people in decent homes by 2011, rising to 75% by 2020. The budgets within this programme seek to achieve those aims, though the limited resources available will make the targets very difficult to achieve.

LOCAL AUTHORITIES (CAPITAL FINANCE) (AMENDMENT) REGULATIONS 2003

6. These regulations provide that where capital receipts are generated from the sale of council housing assets, other than from “right to buy” sales, 100% of the receipts can be used for capital spending provided they are used to meet the costs of affordable homes. However the Council must make a formal declaration that receipts up to a specified amount will be used in this way, hence recommendation (iv) to this report is required. If this resolution were not passed, or if receipts were to be used other than for affordable housing, or if receipts greater than the specified amount were received then half of the receipt would have to be paid to the Government. If the specified amount is set at a high figure there should be no risk of receipts exceeding that limit and triggering payments to Government. It is therefore recommended that the specified amount be set at £20 million for both 2007/08 and 2008/09.

LINKS BETWEEN THE COUNCIL’S CORPORATE PRIORITIES and THE BUDGET

7. The Council’s Corporate Strategy drives the Housing Strategy which in turn drives the budget process. A copy of our top Housing Priorities for Action is attached for reference at Appendix 2. In order to emphasise the links between the strategy and the budget the capital schemes on Appendix 4 are grouped according to which of the five strategic priorities they make most contribution towards. The five strategic priorities are as follows:

- 1 - Affordable Housing and Regeneration
- 2 – Private Housing Renewal and Standards
- 3 – Managing our council homes
- 4 – Supported and Special Housing
- 5 – Housing Choices

BUDGET PRINCIPLES

8. After discussion with Residents Consortium representatives and Housing Portfolio holder the budget principles at Appendix 2, page 3 were adopted.

SOURCES OF CAPITAL FINANCE

9. The main sources of capital finance are as follows:
 - Revenue contributions direct from either the Housing Revenue Account (Council Housing) or General Fund (all other Housing).
 - Capital Receipts mainly from “Right to Buy” sales of council housing.
 - Capital Grants directly or indirectly from Government such as the Private Sector Renewal Discretionary Fund or Disabled Facilities Grant.
 - Contributions towards expenditure by third parties i.e. payments by “right to buy” leasehold purchasers of flats or maisonettes.
 - Borrowing either supported by the Regional Housing Board (see below) or unsupported (if the cost of servicing the debt is approved by the Strategic Director responsible for financial administration under S.151 Local Government Act 1972).

NEW CAPITAL CONTROLS AND PRUDENTIAL INDICATORS

10. Appendix 1 attached sets out the regulations governing local authority capital investment including the “Prudential borrowing” controls whereby councils set their own borrowing limits after deciding what level is affordable over the long term. To ensure the system is prudently applied councils must approve and publish a set of “Prudential Indicators”. The indicators cover the two main council income streams of council tax (the General Fund) and council housing rents (the Housing Revenue Account). The prudential limits for the Housing Revenue Account are set out in Appendix 6. Prudential indicators for the General Fund for all services including private housing were included in the report on the City’s overall capital programme to City Council on 12 February 2008.

REGIONAL HOUSING BOARD

11. Central Government allocate their contribution towards capital resources for Councils via organisations called “Regional Housing Boards” (RHB’s). The RHB’s for each region have prepared Regional Housing Strategies, which link with planning, economic, transport and other government strategies. The RHB’s allocate resources for investment in housing to both council’s and a QUANGO called the Housing Corporation. Allocations by the Housing Corporation to Housing Associations to provide new social housing are driven by the Regional Housing Strategy rather than local council’s strategies.

12. From this financial year 2008/09 the way in which resources are to be allocated will change. For the next three years a new basis of allocation will apply on a “sub regional basis” i.e. by partnering with other authorities showing how their plans will address the following three main South East RHB priorities:

- Reduce the number of vulnerable people living in non-decent homes
- Reduce the number of households living in fuel poverty
- Support regeneration to create sustainable communities

13. Portsmouth’s performance on tackling the South East RHB’s three priorities above has been of a high standard. A partnership has been established with 4 council’s on the south coast and a successful bid made for resources which will see Portsmouth receive almost £7.2 million over the three years 2008/9 to 2010/11. This is over £1 million higher than in our previous HIP budget approved in February 2008.

14. The level of resources available from the South East RHB from 2011/12 is not known at present. To be prudent therefore the resources from 2011/12 up to 2014/15 have been assumed to fall back to the same £2 million annual level as was the case for last financial year 2007/8.

SINGLE CAPITAL POT

15. In addition to the allocation of resources for private housing described above, the Government also allocates capital resources to councils for five other main services, i.e. Council Housing, Education, Social Services, Transport and Other Services. Councils can use these capital resources as they see fit to best achieve corporate aims. Councils must also prepare a Corporate Capital Strategy and a Corporate Asset Management Plan. The Capital Strategy shows how capital resources will support the Corporate Plan objectives. The Asset Management Plan assesses what assets are owned, what assets are required to deliver services and provides a detailed plan for managing and maintaining those assets. Whilst continually under review, Portsmouth's Capital Strategy has recognised the important role played by the Housing Investment Programme and currently provides that the allocation for Council Housing should all be made available to the Housing Investment Programme.

PARTNERSHIP FOR URBAN SOUTH HAMPSHIRE (PUSH)

16. PUSH is a voluntary partnership of local authorities in South Hampshire dedicated to sustainable, economic-led growth and improving prosperity and the quality of life for everyone who lives, works and spends their leisure time in South Hampshire. PUSH's work on housing is led by housing officers from the partner authorities together with representatives from the Housing Corporation and other key bodies. Overall PUSH is managed by a Joint Committee comprising local councillors.
17. PUSH has produced a strategy setting out the key housing issues that the PUSH sub-region faces covering four headlines, which remain under review:
 - To support economic growth by increasing the supply of housing to deliver a balanced housing market including family and affordable homes.
 - To improve the condition and management and make better use of the existing housing stock.
 - To drive long-term economic prosperity through the principles of sustainable development.
 - To meet the needs of everyone including homeless and vulnerable groups.
18. The strategy was approved by the PUSH Leaders' and Chief Executives' Panel at its meeting in September 2007. The strategy was formally launched at a special conference on 16th January 2008. The Sub-Regional Housing Strategy document and a summary of it can be viewed online at the following links:

<http://www.push.gov.uk/pdf/PUSH%20Publications/Sub-Regional%20Housing%20Strategy%20-%20Homes%20for%20Growth.pdf>

<http://www.push.gov.uk/pdf/PUSH%20Publications/PUSH%20SRH%20strategy%20summary.pdf>

PARTNERSHIP FOR URBAN SOUTH HAMPSHIRE (PUSH) (Continued)

19. The South East England Regional Assembly (SEERA) has proposed that approximately 4,000 new homes per year should be provided in South Hampshire between 2006 and 2026, and commissioned Hampshire County Council, Portsmouth & Southampton to advise how those new homes should be apportioned among the 10 local authorities in South Hampshire. The authorities undertook this work under the aegis of PUSH, in order to consider housing growth in the context of its wider strategy for economic-led growth in the sub-region.
20. A significant outcome of PUSH's Business Plan is the support for additional homes to be provided as a fundamental part of Estate Renewal in Portsmouth. As a result of this support, the city expects to receive £3.3m over the next 2 years to facilitate this new mixed tenure housing.

BUDGETS FOR RESOURCES AND SPENDING UP TO 2014/15

21. In February 2008 the City Council approved a programme for 2007/08 to 2013/14. That has now been revised to take account of subsequent slippage and changes and in consultation with residents representatives and the Housing Executive a programme has been prepared within the revised estimated spending ability (Appendix 4). **We would like to thank the residents representatives for their patience and invaluable help and assistance during the budget process.**
22. Set out at the top of Appendix 3 (lines 4 to 6) is a comparison of the February 2008 programme with the latest revised programme together with the actual resources for last financial year 2007/08 and latest estimates of capital resources for 2008/09 to 2014/15. Overall after revising the programme to take into account all known factors budgeted resources up to 2013/14 have increased by just over £0.9 million (line 40, column R). Budgeted spending has increased by just under £1.8 million (line 6, column Q) and the main changes are detailed in Appendix 5.
23. The net effect of increased resources and reduced spending is a £0.9 million fall in overall balances at 31 March 2014 (line 42, column R). This is however affordable as balances in hand at 31 March 2014 are estimated to be over £2.3 million. It is recommended that authority be delegated to the Strategic Director responsible for financial administration (S.151 Local Government Act 1972) to alter the mix of capital funding sources used to finance the HIP to maximise the resources available to the Council. The most significant changes are set out below.

Resources

24. Appendix 3 shows a comparison of the revised capital spending proposals and estimated capital resources with those approved in February 2008, the most significant of which are set out below.

BUDGETS FOR RESOURCES AND SPENDING UP TO 2014/15 (Continued)

Resources (Continued)

25. The largest change in resources is the reduction of receipts from Right to buy sales. Overall capital receipts have reduced by over £4 million mainly because sales estimates over the 7 years are now estimated to be between 50 to 70 homes a year rather than the 100 homes level previously used. The main reasons for the fall are the changes made in recent years to the eligibility criteria for to the right to buy, the limit of £38,000 on the discount on sale price & the difficult current conditions in the mortgage markets. In fact a fall in the level of sales is good news in terms of maintaining the level of affordable housing, however in the short term it does reduce resources for the HIP.
26. Total spending proposals and capital resources include provision for a scheme to acquire mobile homes, site them on PCC's mobile home sites then sell them on the private housing market. It is hoped that this will both generate badly needed new homes and also show a surplus to be re-invested in the HIP, though for the moment the effects are assumed to be neutral with sales covering the costs of acquisition and installation.
27. The resources estimated assume that borrowing of £1.9 million for council housing occurs each year up to the "Supported Capital Expenditure" (SCE) level approved by the Regional Housing Board (RHB). The reason for this is to be able to clearly demonstrate to the RHB that the Supported Capital Expenditure given has been used directly on achieving Decent Homes by 2010. It is anticipated that SCE for council housing will cease after 2011/12 when Decent Homes for council housing has been achieved so no borrowing is shown from 2012/13 onwards.
28. The resources estimated assume that borrowing of £1.9 million for Private Housing will commence from 2011/12. This will be dependent on whether the City's General Fund revenue budgets can afford the debt repayment & interest costs arising from this borrowing. If it is not possible to borrow then the HIP spending budgets must be reduced by an equivalent amount. The savings would effect both Council Housing & Private Housing budgets.
29. The Head of Community Housing has been working with the City's Planners to ensure that where developers are unwilling to provide new social housing on development sites they are required to make a contribution sufficient to provide the required number of dwellings elsewhere. Such schemes will require approval via the City Constitution process, including a financial appraisal approved by the Strategic Director responsible for the financial administration of the organisation under Section 151 of the Local Government Act 1972.

BUDGETS FOR RESOURCES AND SPENDING UP TO 2014/15 (Continued)

Resources (Continued)

30. Appendix 3, column S shows the analysis of the overall £0.9 million increase in estimated resources, the most significant of which are described below.

- £0.4 million increase – extra contributions from the Government towards the cost of Disabled Facilities Grants for private housing.
- £1 million increase – Additional Private Sector Renewal Discretionary Grant – see para's 12 & 13 above.
- £3.3 million increase – new grant income Partnership for Urban South Hampshire (PUSH) see para's 15 to 19 above.
- £0.3 million increase – extra Major Repairs Allowance revenue contributions
- £4 million decrease - Capital receipts down due to fall in right to buy sales.

Spending programme

31. Appendix 5, Major changes shows the analysis of the overall £1.8 million increase in estimated spending since the programme was approved in February 2008.

32., The most significant changes to the HIP programme are set out below.

- £3.3 million increase – new Partnership Urban South Hampshire (PUSH) spending proposals - see para's 15 to 19 above (Appendix 4, Item 9).
- £0.7 million increase – Increased provision for development of new homes starting 2010/11 (Appendix 4, Item 17).
- £1.5 million increase – Aim 2 Private Housing Renewal Standards overall increase (Appendix 4, Items 26 to 44).
- £3.9 million reduction – Council Housing Capital Planned Works - (Appendix 4, Item 47 and Appendix 4 page 6).

33. The Report to Housing Executive in March 2008 on Council Housing Maintenance & Improvements detailed the works proposed within the overall "Capital Planned Works" budget for Council Housing (Appendix 4, Item 47). Appendix 4, page 6 shows the revised proposals for spending against that overall budget.

BUDGETS FOR RESOURCES AND SPENDING UP TO 2014/15 (Continued)

Spending programme (Continued)

34. The full Executive have agreed a report recommending that approval in principle be given to transferring (“appropriating”) a number of Community Facilities into the council housing account (HRA). Approval in principle has been received from the Secretary of State and £1.45 million is included in this programme to bring the Community Facilities up to a decent standard (Appendix 4, item 69). The transfer is conditional upon both approval in principle from the residents budget panel, which has been given, and a financial appraisal on each property to see if the HRA and HIP can afford to take them on. The financial appraisals are being undertaken & it is anticipated that, for those Community Facilities which meet the affordability criteria, the transfers will take place this financial year.

JOINT CITY COUNCIL/HOUSING CORPORATION PROGRAMME

35. In February 2008 the City Council delegated to officers authority to approve arrangements with the Housing Corporation, Housing Associations and other interested parties. It is recommended that the delegation continue for 2008/09 to 2010/11 but be delegated to the Head of Community Housing in consultation with the Strategic Director responsible for financial administration (S.151 Local Government Act 1972).

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Owen Buckwell – Head of Housing Management

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Alan Cufley – Head of Community Housing

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**Roger Ching - Strategic Director responsible for financial administration
under Section 151 of the Local Government Act 1972**

BACKGROUND LISTS

The information on which this report has been based was drawn from many different sources, however details of some of the information used is held in budget files prepared by the Finance Team responsible for Health, Housing & Social Care Services. Please contact Peter Pennekett Finance Manager – for that team if required.