



## **PAPERS ENCLOSED WITH THIS REPORT**

2. The following papers are attached:

Appendix 1 – A brief outline of the 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 2009.

Appendix 4 – The revised HIP spending proposals for 2009/10 to 2015/16

Appendix 5 – A summary of major changes to the programme approved in February 2009.

Appendix 6 – The “Prudential Indicators” for the Housing Revenue Account including details of the estimated revenue effects of the proposed capital programme.

## **BACKGROUND**

3. On 10<sup>th</sup> February 2009 the City Council approved a Housing Investment Programme budget. The programme has now been revised and 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 11 to 62 shows the changes in estimated resources from those reported in February 2009.
4. 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 & 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 & Regeneration

2 – Private Housing Renewal & Standards

3 – Managing our council homes

4 – Supported & Special Housing

5 – Housing Choices

## **BUDGET PRINCIPLES**

5. After discussion with Residents Consortium representatives & the Cabinet Member for Housing budget principles were adopted for use as a guide when setting the programme. The principles agreed are set out on page three of Appendix 2.

## **CAPITAL CONTROLS & PRUDENTIAL INDICATORS**

6. 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.
7. To ensure the system is prudently applied councils must approve & publish a set of “Prudential Indicators”. The indicators cover the two main council income streams of council tax (the General Fund) & council housing rents (the Housing Revenue Account). The prudential limits for the Housing Revenue Account, approved by the Strategic Director & Section 151 Officer, are set out in Appendix 6. Prudential indicators for the General Fund for all services including private housing were approved as part of the report on the City’s overall capital programme to City Council on 10 February 2009.

## **REGIONAL HOUSING BOARD**

8. 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 & other government strategies. The RHB’s have allocated capital grants to both council’s & a QuANGO called the Homes & Communities Agency. Allocations by the Homes & Communities Agency to Housing Associations to provide new social housing are driven by the Regional Housing Strategy rather than local council’s strategies.
9. For the three years starting this year 2008/09 the South East Regional Housing Board (SERHB) has used a new “sub regional basis” of allocation requiring councils to group together in partnerships & show how their plans would address the following three main SERHB 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
10. A partnership has been established with four councils on the south coast and a successful bid made for £7.1 million of resources over the three years 2008/9 to 2010/11. Subsequently the SERHB has monitored partnership performance in the region & has allocated additional grant to authorities who are both performing well on tackling the three priorities above and are using their own capital resources. Portsmouth’s performance has been of a high

standard & SERHB has allocated additional resources of over £1.9 million giving a total of £9 million over the three years 2008/9 to 2010/11.

## **REGIONAL HOUSING BOARD (Cont'd)**

11. 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 2015/16 have been assumed to fall back to a prudent assumed level of £2 million per annum.
12. The RHB also allocates "Supported Capital Expenditure" (SCE) for capital spending on council housing. It is given by reducing the amount payable to the Government under the Housing Revenue Account Subsidy System. The SCE amount for 2009/10 has been confirmed as £1.9 million, which enables borrowing of £1.9 million (Appendix 3, line 13).

## **CORPORATE CAPITAL STRATEGY**

13. A new Capital Strategy which is intended to target resources towards the key investment plans of the council has been approved by City Council on 4<sup>th</sup> February 2009. The current year 2009/10 is not effected, however the new strategy is recommended to start in April 2010.
14. Ring fenced capital resources such as Supported Capital Expenditure for Council Housing will be unaffected, but all non ring fenced capital resources will be "Corporately Pooled", including Housing "Right to Buy" receipts and "Other Housing" receipts which were formerly all allocated to the Housing Investment Programme.
15. The new Capital Strategy provides an exception to Corporate Pooling for receipts from the sale of "Other Housing" assets where the council makes a formal determination under the Local Authorities (Capital Finance) (Amendment) Regulations 2003 that they will be used for affordable housing or regeneration schemes. If this determination is not made then 50% of these receipts would have to be paid to the Government. Recommendation (iv) to this report sets the formal determination level at £20 million for both 2009/10 and also the first year of the new strategy 2010/11. The £20 million level gives significant headroom over the budgeted level of capital receipts and the approval through to 2010/11 gives some short term stability to the HIP programme of renewal & improvement for public & private housing, especially the Somerstown Regeneration scheme.
16. The new Corporate Capital Strategy will require all services to make Capital Investment bids for Corporately Pooled capital resources both annually as part of the capital planning process and throughout the year as and when new needs, priorities and aspirations are identified.

## **CORPORATE CAPITAL STRATEGY (Continued)**

17. The Council will adopt nine Key Capital Investment Principles for allocating and targeting its capital resources from 2010/11 onwards based on the following:

- Contribution to Corporate Plan & Vision for Portsmouth
- Community Assets
- Heritage Assets
- Funding
- Whole Life Costing
- Value for Money
- Risk
- Overspends on approved Schemes in Progress

The report also lists the “Key Long Term Investment Plans” which includes Somerstown Regeneration, Phase 1 of which has been fully included in this HIP capital programme for the first time.

## **PARTNERSHIP FOR URBAN SOUTH HAMPSHIRE (PUSH)**

18. 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 Homes & Communities Agency and other key bodies. Overall PUSH is managed by a Joint Committee comprising local councillors.

19. 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.

20. The strategy was approved by the PUSH Leaders' and Chief Executives' Panel and formally launched at a special conference on 16<sup>th</sup> January 2008. 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)**

21. 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.
22. 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 £3m over the next 2 years to facilitate this new mixed tenure housing as part of the Somerstown Regeneration scheme, Phase 1 of which is included in this HIP capital programme, see Appendix 4, Page 2, Item 10.

### **“DECENT HOMES”**

23. 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.
24. 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.

### **BUDGETS FOR RESOURCES AND SPENDING UP TO 2015/16**

25. In February 2009 the City Council approved a programme for 2008/09 to 2014/15. 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.**

## **BUDGETS FOR RESOURCES AND SPENDING UP TO 2015/16 (Continued)**

26. Set out at the top of Appendix 3 (lines 4 to 6) is a comparison of the February 2009 programme with the latest revised programme together with the actual resources for last financial year 2008/09 and latest estimates of capital resources for 2009/10 to 2015/16. Overall, after revising the programme to take into account all known factors, budgeted resources up to 2014/15 have decreased by just over £11.6 million (line 62, column R). Budgeted spending has therefore had to be reduced by just under £10.8 million (line 6, column Q) and the main changes are detailed in Appendix 5.
27. The net effect of reduced resources and reduced spending is a £0.8 million fall in overall balances at 31 March 2015 (line 64, column R). This is however affordable as balances in hand at 31 March 2014 are estimated to be over £660,000. 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**

28. Appendix 3 shows a comparison of the revised capital spending proposals and estimated capital resources with those approved in February 2009. Column R shows the analysis of the overall £11.6 million decrease in estimated resources, the most significant of which are described below.
29. The largest change in resources is the removal of just under £8.5 million of Unsupported Prudential Borrowing which in February 2009 had been included to finance new affordable private housing and tackle disrepair in existing private housing. In the current economic climate and given the Government's need to make savings in public spending it seems unlikely that the City's General Fund revenue budgets can afford the debt repayment & interest costs arising from this borrowing. HIP spending budgets have had to be reduced accordingly with savings effecting both Council Housing & Private Housing budgets.
30. The next most significant change is a reduction of £1.9 million in estimated income from leaseholders contributions towards capital schemes on their homes. This is partly due to the lower programme of spending but also projections have had to be reduced following the lower level of charges identified when closing the accounts for last financial year 2008/9.
31. Capital receipts have been shown in more detail for the first time, see lines 27 to 39 of Appendix 3. Note total receipts are little changed from that reported in February 2009. Right to Buy Sales estimates over the 7 years are estimated to be between 20 and 70 homes a year.

## **BUDGETS FOR RESOURCES AND SPENDING UP TO 2015/16 (Continued)**

### **Resources (Continued)**

32. 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 2010/11 when Decent Homes for council housing has been achieved so no borrowing is shown from 2011/12 onwards.
33. 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.

### **Spending programme**

34. Appendix 5, Major changes shows the full analysis of the overall £10.8 million decrease in estimated spending against the programme approved in February 2009. The most significant changes to the HIP programme are set out below.
- £2.9 million increase – Somerstown Phase 1 HUB as reported to Cabinet on 9<sup>th</sup> March (Appendix 4, Item 10).
  - £4.5 million reduction – Council Housing Capital Planned Works - (Appendix 4, Item 47 and Appendix 4 page 6). The Report to Housing Executive in March 2009 on Council Housing Maintenance & Improvements detailed the spending proposed within the overall “Capital Planned Works”. Appendix 4, page 6 shows the revised proposals for spending against that overall budget.
  - £3.5 million decrease – Private Housing & Renewal Standards, (Appendix 4, Items 28 to 45).
35. 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 £1.3 million is included in this programme to bring the Community Facilities up to a decent standard (Appendix 4, item 73). 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.



## **LEVEL OF BALANCES AND THE GOVERNMENT'S REVIEW OF HOUSING FINANCE**

36. The level of balances at the end of 2015/16 at just under £0.7 million is at an acceptable level but could not be allowed to fall further. However the Government's review of Housing Finance is now nearing completion and the new Housing Minister John Healy has announced his intention to consult soon over proposals to dismantle the Housing Revenue Account Subsidy System (HRASS). His announcement included proposals to replace the HRASS with a "one off" re-allocation of debt, after which Council's would retain all their rents & capital receipts from sales of council housing assets, including Right to Buy sales, instead of having to pay much of them to the Government.
37. If the proposals as announced come into effect the Housing Revenue Account is likely to benefit which would enable further revenue contributions to both increase balances and also support Housing Investment Programme capital spending on Council homes.

## **JOINT CITY COUNCIL/HOUSING CORPORATION PROGRAMME**

38. In February 2009 the City Council delegated to officers authority to approve arrangements for provision of affordable homes with the Homes & Communities Agency, Registered Social Landlords and other interested parties. It is recommended that the delegation to the Head of Community Housing in consultation with the Strategic Director responsible for financial administration (S.151 Local Government Act 1972) continue for 2009/10 to 2011/12.

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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.