

Decision maker: Cabinet Member for Housing
City Council

Subject: HOUSING INVESTMENT PROGRAMME (HIP)
2010/11 TO 2016/17

Date of decisions: 22nd September 2010
12th October 2010

Report by: Head of Housing Management
Head of Community Housing & Regeneration
Strategic Director & Section 151 Officer

Wards affected: ALL wards

Key decision: Yes

Budget & policy framework decision: Yes

1 Summary

1.1 This report details the significant changes to the Housing Investment Programme (HIP) approved by City Council in February 2010 and recommends approval of a revised capital programme & resources covering both private housing & council housing.

2 Purpose of report

2.1 The purpose of this report is to:

- Seek approval to the detailed programmes of capital spending on council and private housing for 2010/11 and 2011/12
- Avoid having to pay over to the Government up to 50% of capital receipts from disposals of council housing assets
- Delegate authority to approve arrangements for the joint City Council and Homes & Communities Agency Programme
- Delegate authority to alter the mix of capital funding to maximise resources
- Approve the Housing Revenue Account Prudential Indicators.

3 Papers included in the Appendix to this report

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 HIP total programme & resources approved by City Council on 9th February 2010 with the latest revised total programme & resources.

Appendix 4 – The detailed HIP spending proposals for 2010/11 to 2016/17

Appendix 5 – A summary of major changes to the programmes approved in February 2010.

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

4 Housing Strategy & Budget Principles

4.1 A copy of the Housing Strategy Executive Summary for 2005 to 2010 showing the top six priorities for action is attached (Appendix 2 pages 1 and 2). After discussion with residents Consortium representatives and the Cabinet Member for Housing the budget principles set out in Appendix 2 page 3 are recommended.

5 Duty to involve - Resident involvement in the budget process

5.1 Representatives of the Residents Consortium (The RC) have again played a vital part in the detailed budget setting process. At the invitation of the Cabinet member for Housing, the Head of Housing Management (HHM) and the Head of Financial Services (HFS) a panel of resident’s representatives have helped draw up both this Housing Investment Programme budget.

5.2 Both HHM & HFS would like to place on record their thanks for the invaluable help given by our Residents Representatives.

6 Capital Controls & Prudential Indicators

6.1 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 & publish a set of “Prudential Indicators”. Revised prudential limits for the Housing Revenue Account, approved by the Strategic Director & Section 151 Officer, are set out in Appendix 6.

7 Regional Housing Board

- 7.1 To date, Central Government has allocated contributions towards housing 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.
- 7.2 For the three years starting in 2008/09 the South East Regional Housing Board (SERHB) has used a “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
- 7.3 A partnership has been established with four PUSH councils 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 an additional £1.5 million giving a total of £3.455 million for 2010/11.
- 7.4 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 2016/17 have been assumed to fall back to £1 million per annum. In addition it is recommended that £1.2 million of the additional grant received in 2010/11 is carried forward to maintain the level of support for vulnerable people in 2011/12.
- 7.5 The RHB also allocates “Supported Capital Expenditure” (SCE) for capital spending on council housing, specifically to bring homes up to the Decent Homes standard. It is given by reducing the amount payable to the Government under the Housing Revenue Account Subsidy System. The SCE amount for 2010/11 has been confirmed as £1.9 million, which enables borrowing of £1.9 million (Appendix 3, line 13).
- 7.6 The resources estimated therefore include borrowing of £1.9 million in 2010/11 which clearly demonstrates 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.
- 7.7 It is unclear as to the arrangements for the ongoing distribution of Government funding for housing following the abolition of the RHB and the impending demise of the Government Office for the South East

8 Corporate Capital Strategy

- 8.1 A Capital Programme reflecting the new Capital Strategy which targets resources towards key investment plans was approved by City Council on 9th February 2010, see report here <http://www.portsmouth.gov.uk/yourcouncil/17419.html> .
- 8.2 The new Corporate Capital Strategy requires 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. The Strategy also sets out nine Key Capital Investment Principles for allocating and targeting capital resources as follows:
- 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
- 8.3 The strategy details the “Key Long Term Investment Plans” which include Somerstown Regeneration, Phase 1 of which is fully included in this HIP capital programme. Somerstown Phase 2 has the costs for the full Business Case included.
- 8.4 The strategy requires all non ring fenced capital resources to be “Corporately Pooled”, including Housing “Right to Buy” receipts and “Other Housing” receipts which were formerly all allocated directly to the Housing Investment Programme.
- 8.5 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 (V) to this report sets the formal determination level at £20 million for the three years 2010/11 to 2012/13. The £20 million level gives significant headroom over the budgeted level of capital receipts and the approval through to 2012/13 gives some short term stability to the HIP programme of renewal & improvement for public & private housing, especially the Somerstown Regeneration scheme.

9 Budgets for resources & spending up to 2016/17

- 9.1 In February 2010 the City Council approved a programme for 2009/10 to 2014/15. That has been revised to reflect all known changes since that time and in consultation with resident's representatives a revised programme has been produced as detailed in Appendix 4. The following corporate funding has been allocated in 2010/11 as part of the overall City Council Capital Programme:

Appendix 3 line numbers	Funding details	
27	Right to Buy Sales	£859,114
28	Capital receipts - Somerstown Phase 2	£100,000
29	Capital receipts - Decent Homes & Vulnerable People	£238,886
TOTAL		£1,198,000

- 9.2 Set out at the top of Appendix 3 (lines 4 to 6) is a comparison of the February 2010 programme with the latest revised programme together with the latest estimates of capital resources for 2010/11 to 2015/16, plus a first estimate for 2016/17. Resources made available as part of the Corporate Capital Strategy are shown on Appendix 3 line 28.
- 9.3 The Private Housing element of the HIP makes a very significant contribution towards the aims of the Corporate Capital Strategy as is reflected by the £1.1 million allocation of corporate resources in 2010/11 detailed in Para 9.1 above. The Head of Community Housing & Regeneration will submit bids for further Corporate Resources as part of the Corporate Capital Budget process which will be submitted to the City Council for approval as part of the Capital Programme report in February 2011.
- 9.4 Overall, after revising the programme to take into account all known factors, budgeted resources up to 2015/16 have decreased by just over £4.6 million (Appendix 3, line 50, column O). Budgeted spending has reduced by £7.7 million (line 6, column N) and details of the main changes are set out in Appendix 5.
- 9.5 The net effect of reduced resources and reduced spending is that estimated overall balances at 31 March 2016 have increased to £4.6 million (line 52, column N). 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.
- 9.6 Prudential Borrowing normally requires annual repayments, however given the medium term affordability demonstrated by the financial modelling undertaken for the Housing Revenue Account it is recommended that there be no debt repayment on the planned HRA Prudential Borrowing during 2010/11, but repayment for future years to be the subject of annual review as part of the HRA Budget Report.

9.7 The Head of Community Housing & Regeneration has been working with the City Planning Officer to ensure that where developers are unwilling or unable 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 S.151 of the Local Government Act 1972.

10 Level of balances & the Government's review of Housing Finance

10.1 Estimated balances at the end of 2016/17 are just under £5.2 million, an acceptable level. However the Government's review of Housing Finance is now nearing completion and an announcement is expected from the Housing Minister soon on proposals which would enable Council's to 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.

10.2 If the proposals came into effect from April 2011 the City Council would keep all receipts from Right to Buy sales of council housing, an extra £14.9 million over the six years 2011/12 to 2016/17 which would then be spent on affordable housing and/or regeneration.

10.3 It is important to recognise that the outcome of this process will be a material factor affecting the City Council's ability to afford the Somerstown Phase 2 Private Finance Initiative (PFI) scheme.

11 Partnership for Urban South Hampshire

11.1 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 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.

11.2 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.

11.3 The strategy can be viewed online at the following link:

<http://www.push.gov.uk/work/housing-and-planning/sub-regional-housing-strategy.htm>

11.4 A significant outcome of the PUSH 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 received £0.44 million last financial year 2009/10 and expects to receive a further £2.62 million this financial year 2010/11 (Appendix 3, line 19) to facilitate this new mixed tenure housing as part of the Somerstown Regeneration scheme, Phase 1, see Appendix 4, Page 2, Item 8.

12 Decent Homes” & Repairs and Maintenance

12.1 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 City Council staff 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 2010/11.

12.2 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 Head of Community Housing & Regeneration advises that the limited resources available will make the targets very difficult to achieve. Furthermore, since the Housing Act 2004 was invoked, a private home must be free from Category 1 hazards (serious impact on a resident’s health or occupancy) to be classed as a Decent Home The council has a statutory responsibility to eliminate Category 1 hazards and the new rating system doubled (to 15% - 10,000 homes) the number of seriously sub-standard properties in the city.

13 Revenue contributions

13.1 Following a review of the systems for repair & maintenance of council homes a number of changes were made last year in response to demand for services from our residents which required a switch of £3.2 million of resources away from capital schemes within the Housing Investment Programme (Appendix 3, line 47, columns B to D) to finance the improved repairs & maintenance services to residents. It is anticipated that it will be possible to reverse this switch over time as the new processes allow repairs to be dealt with in a more timely and efficient fashion.



14 Joint City Council/Homes & Communities Agency programme

14.1 In July 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 & Regeneration, in consultation with the Strategic Director responsible for financial administration (S.151 Local Government Act 1972), continue for 2010/11 to 2012/13.

15 Recommended that:

- I. The detailed 2010/11 programme in the sum of £29.8 million be approved.
- II. The revised detailed 2011/12 programme of £31.3 million reflecting the carry forward of £1.2 million of Private Sector Renewal Grant be approved.
- III. The programmes of £22.7 million, £22.7 million, £23.2 million, £24.2 million and £23.9 million for the five financial years 2012/13 to 2016/17 be noted.
- IV. The Prudential Indicators for the Housing Revenue Account set out in Appendix 6 and the Budget Principles shown at Appendix 2 be approved.
- V. That for the purposes of the Local Authorities (Capital Finance) (Amendment) Regulations 2003 the City Council resolve to spend up to £20 million on affordable housing each year between 2010/11 and 2012/13. 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 or regeneration schemes.
- VI. The Head of Community Housing & Regeneration 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 Homes & Communities Agency Programme for 2010/11 to 2012/13.
- VII. Authority be delegated to the HFS to alter the mix of capital funding sources used to finance the HIP to maximise the resources available to the Council.
- VIII. That there be no debt repayment on the planned HRA Prudential Borrowing during 2010/11, but repayment for future years to be the subject of annual review as part of the HRA Budget Report.

16 Reasons for recommendations

16.1 To approve detailed budgets for 2010/11 and 2011/12 and note budgets for future years, enabling Heads of Service to plan ahead to efficiently & effectively provide the vital services needed to meet the needs of residents, leaseholders & tenants. To comply with the legal requirement to report and approve "Prudential Indicators". To avoid having to pay to the Government up to 50% of capital receipts from the disposal of assets held under council housing powers. To maximise the resources available to the Council and to enable the Head of Community Housing & Regeneration to approve arrangements for the joint City Council and Homes & Communities Agency Programme for 2010/11 to 2012/13.

17. Options considered and rejected

17.1 Compiling a budget report requires that decisions are made on priorities for spending. Appendix 5 lists changes showing how options for spending have changed in the light of changing resources & opportunities since last reported in February 2010.

18 Corporate priorities

18.1 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

18.2 The Housing Investment Programme contributes to the following Corporate Priorities:

- Reduce crime and the fear of crime
- Increase availability and quality of housing
- Protect and support our most vulnerable residents
- Improve efficiency and encourage involvement
- Raise standards in English and maths
- Regenerate the city
- Cleaner and greener city

19 Financial implications

19.1 The HFS has been consulted and is in agreement with the recommendations to this report.

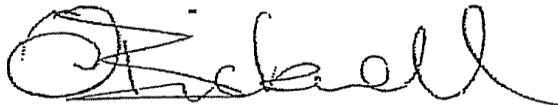
20 Equality impact assessment (EIA)

20.1 A preliminary EIA has been carried out which indicates that the requirement for a full EIA is low.

21. Legal implications

21.1 The recommendations to this report cover only approval to budgets, officer delegations and other financial issues. There is therefore no requirement for the City Solicitor's comments.

Signed by:



Owen Buckwell – Head of Housing Management

Alan Cufley – Head of Community Housing & Regeneration

Roger Ching - Strategic Director responsible for financial administration (S.151 Local Government Act 1972)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Budget files	Financial Services Housing Accountancy team
2	
3	
4	

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Cabinet Member for Housing on 16th March 2010.

.....
Signed by: