

Decision maker: Cabinet Member for Housing
City Council

Subject: HOUSING INVESTMENT PROGRAMME (HIP)
2011/12 TO 2017/18

Date of decisions: 20th September 2011 (Housing Portfolio)
11th October 2011 (City Council)

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

Wards affected: ALL wards

Key decision: Yes
Budget & policy framework decision: Yes

1 Summary & Purpose of Report

1.1 This report details the changes to the Housing Investment Programme (HIP) approved by City Council in February 2011 and recommends approval of the revised capital programme & resources covering private housing & council housing.

1.2 The purpose of this report is to:

- Seek approval of the detailed programmes of capital spending on council and private housing for 2011/12 and 2012/13.
- Approve the Housing Revenue Account Prudential Indicators.
- Request that 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.
- Delegate authority to approve arrangements for the joint City Council and Homes & Communities Agency Programme to the Head of Community Housing & Regeneration in consultation with the Chief Officer responsible for financial administration (S.151 Local Government Act 1972)
- Delegate authority to alter the mix of capital funding to maximise the use of resources to the Chief Officer responsible for financial administration (S.151 Local Government Act 1972)
- Set out the need for ongoing corporate financial support for the Private Sector renewals programme for 2012/13 to 2014/15.

2 Background

The Housing Strategy & Budget Principles

- 2.1 An extract of the Draft Housing Strategy Executive Summary for 2011/12 to 2014//15 showing the top priorities for action is attached (Appendix 2 pages 1 to 3). After consultation with the Residents Consortium representatives and the Cabinet Member for Housing, the budget principles set out in Appendix 2 page 4 are recommended.

Capital Controls & Prudential Indicators

- 2.2 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 Chief Officer responsible for financial administration (S.151 Local Government Act 1972), are set out in Appendix 6.

Corporate Capital Strategy

- 2.3 On the 4th February 2009 the City Council approved the Capital Strategy 2008 - 2018. The key features of that strategy which are considered in the development of the Capital Programme are as follows:
- Contribution to the Corporate Plan & Vision for Portsmouth for non commercial activities
 - Rate of return and payback for commercial activities
 - Retention of Community Assets
 - Retention and maintenance of Heritage Assets
 - The extent and level of surety of external funding
 - The use of Capital Investment Options Appraisal
 - A whole life cost approach to Capital Investment
 - Delivery of Value for Money
 - The approach to risk - the expected benefits must outweigh the risk
 - Any overspendings on approved Capital Schemes being the first consideration for the use of any available capital resources.

- 2.4 The Capital Programme for 2011/12 was the second year that fully embraced the revised financial framework for allocating capital resources to new capital schemes. The financial framework approved within the Capital Strategy has evolved from the previous framework based on passporting, to one that is designed to offer Members greater choice and transparency with the overall aim of delivering better outcomes from the resources available. It seeks to strike the appropriate balance of allocating capital resources between short and medium term needs and priorities and longer term aspirations in order to support the delivery of the 10 year Capital Strategy.
- 2.5 Previously, significant sums of non ring-fenced capital allocations from Government plus Housing Capital Receipts were passported direct to Portfolios such as:
- Local Transport Plan (LTP) capital allocations to the Traffic & Transportation Portfolio
 - Education capital allocations to the Education Portfolio
 - Social Services capital allocations to Health & Social Care Portfolio
 - Housing “Right to Buy” capital receipts to the Housing Portfolio
- 2.6 The financial framework adopted for the 2010/11 Capital Programme, as approved in the Capital Strategy, moved to a framework based on the concept of pooling all non ring fenced capital resources including Housing “Right to Buy” receipts and “Other Housing” receipts which were formerly all allocated directly to the Housing Investment Programme, and matching those resources to those Capital Investment needs, priorities and aspirations of the Council that cannot be funded from ring fenced capital resources.
- 2.7 The Capital Programme that reflects the existing Capital Strategy, aiming to target resources towards key investment plans, which included the Housing Investment Programme, was approved by the City Council on 8th February 2011. The report can be found here: <http://www.portsmouth.gov.uk/yourcouncil/20048.html>.
- 2.8 It should be noted that the Capital Strategy does provide 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 Central Government. Recommendation 4 to this report sets the formal determination level at £20 million for the three years 2011/12 to 2013/14. The £20 million level gives significant headroom over the budgeted level of capital receipts and the approval through to 2013/14 gives some short term stability to the HIP programme of renewal & improvement for public & private housing.

3 Budgets for Resources & Spending up to 2017/18

- 3.1 On 8th February 2011 Council approved the Capital Programme for 2010/11 to 2015/16, which included the Housing Investment Programme (HIP) for 2010/11 to 2016/17. In setting the programme and in line with the Corporate Capital Strategy, corporate funding was approved and allocated. The corporate resources made available to the HIP are shown in Appendix 3, line 31, Column D and listed in detail below:

Capital Scheme	Corporate Resource Allocated in 2011/12
Heating Grants	£100,000
Decent Homes	£1,185,000
Support For Vulnerable People	£306,079
Total Allocation for Private Sector Housing	£1,591,079
Somerstown Phase 1 – Community Hub	£622,407
TOTAL ALLOCATION IN HIP	£2,213,486

- 3.2 The HIP has now 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.
- 3.3 Set out at the top of Appendix 3 (lines 4 to 6) is a comparison of the February 2011 programme with the latest revised programme. In addition, Appendix 3 also shows the latest estimates of capital resources for 2011/12 to 2016/17, plus a first estimate for 2017/18.
- 3.4 Overall, after revising the programme to take into account all known factors, budgeted resources up to 2016/17 have increased by £11.3 million (Appendix 3, line 49, column P). Budgeted spending has similarly increased by approximately £10.5 million (line 6, column O) and the details of the main changes are set out in Appendix 5. It should be noted that these increases in available resources and anticipated spending primarily relate to the additional resources set aside for, and payment to the Department for Communities and Local Government (DCLG) in the current year, to enable Portsmouth City Council's Housing Revenue account to become Self Financing from 1st April 2012. This is discussed further in paragraph 5.
- 3.5 The net effect of increased resources and increased spending is that estimated overall balances at 31 March 2017 are anticipated to total £2.2 million (Appendix 3, line 51, column O). It is recommended that authority be delegated to the Chief Officer 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.

- 3.6 The Head of Community Housing & Regeneration has been working with the City Planning Officer to ensure that where, after detailed negotiations, developers will not be providing new affordable housing on development sites, they are required to make a financial contribution (commuted sum) that seeks to provide affordable homes elsewhere in the city. This finance can only be used to provide affordable homes although its subsequent use will always be subject to the approval via the City Constitution including a financial appraisal approved by the Chief Officer responsible for the financial administration of the organisation under S.151 of the Local Government Act 1972.

4 Private Sector Housing Financial Assistance Delivery

- 4.1 Until the end of 2010/11, Central Government allocated contributions towards housing capital resources for Councils via organisations called “Regional Housing Boards” (RHB’s). The RHB’s for each region prepared Regional Housing Strategies, which linked with planning, economic, transport & other government strategies. The RHB’s allocated capital grants to both council’s and the Homes & Communities Agency (formerly the Housing Corporation). Allocations by the Homes & Communities Agency to Housing Associations to provide new social housing were driven by the Regional Housing Strategy rather than local council’s strategies, and received in the form of Private Sector Renewals Grants.
- 4.2 As part of the Comprehensive Spending Review (CSR) there was a national decision to end the allocation of funding for private sector renewal from 1st April 2011.
- 4.2 To ensure that the level of support for vulnerable people in the current year was maintained, Council, at its meeting of the 12th October 2010, approved the carry forward of £1.2 million of Private Sector Renewal Grant from 2010/11 into 2011/12. However, no resources are available from the Regional Housing Board to continue this service from 2012/13 onwards.
- 4.3 The RHB also allocated “Supported Capital Expenditure” (SCE) for capital spending on council housing, to bring homes up to the Decent Homes standard. It was given by reducing the amount payable to the Government under the Housing Revenue Account Subsidy System. The SCE amount for 2010/11 totalled £1.9 million, enabling borrowing to that level in 2010/11, as shown in Appendix 3, line 13. However, Supported Capital Expenditure for Decent Homes ended in 2010/11, so no supported borrowing has been incorporated into the programme in current or future years.
- 4.4 Currently in Portsmouth, 36.8% of homes fail to provide a safe, secure and a healthy living environment, compared to the national average of 27.1%. Unless action is ongoing to reduce poor housing conditions, the overall health and wellbeing of residents will suffer, with the vulnerable groups, such as children and the elderly being affected to a greater extent. Appendix 7 identifies the potential

impact that loss of funding and a reduction in support would have on services and residents.

- 4.5 The Private Sector Housing element of the HIP makes a very significant contribution towards the aims of the Corporate Capital Strategy, and has been responsible for significantly improving the city's privately owned housing stock for decades, with capital investment made available by the City Council to ensure that the accommodation that residents are living in is suitable and ensuring that their health, safety and welfare is not compromised due to housing conditions. This is acknowledged by the £1.591 million allocation of corporate resources in 2011/12 as detailed in paragraph 3.1.
- 4.6 The Corporate Capital Strategy is largely based around "one off" capital schemes and not for ongoing rolling programmes and the current one year only approval process unfortunately impacts on the provision of the service and has an adverse effect on service delivery, as necessary work must be delayed in order to prevent potentially unfunded works being commissioned until future funding certainty is known.
- 4.7 The revised HIP recognises the significant loss of both Private Sector Renewal Grant and Supported Capital Expenditure and recommends that Council approves the ongoing corporate support of the Private Sector Housing budget for 2012/13 to 2014/15, allowing the HIP to continue to ensure that the city's privately owned housing stock remains at a decent standard and ensures that residents continue to live in safe and secure homes. Based on previous take up rates indicating need, the anticipated shortfall of funding is as follows:

	2011/12 Approved £M	2012/13 Shortfall £M	2013/14 Shortfall £M	2014/15 Shortfall £M
Private Sector Housing Request for Corporate Resources	1.6	4.2	4.0	3.9

- 4.8 The request for funding this shortfall will be the subject of a further report to be presented to Housing Portfolio on 8th November 2011 and Council on 15th November 2011.
- 4.9 It should be noted that not approving this funding for future years, would result in a significant adverse impact on vulnerable people, largely children and the elderly, in private housing and this would lead to much greater costs falling on the City's Social Care services and would also lead to significant extra costs falling on the NHS.

5 Self Financing

- 5.1 The Localism Bill and in particular the Section regarding Self Financing for Housing Revenue Accounts, is anticipated to take effect on 1st April 2012, enabling

Councils to retain all of their rents instead of having to pay much of them to Central Government, in return for a one off payment of debt to the DCLG.

- 5.2 The treasury management process regarding the resourcing and payment of this debt, currently anticipated to total £81m, is currently being managed and the Council's Treasury Management Team and external advisors have been working to obtain the best balance of risk and costs on the necessary additional borrowing to minimise the ongoing debt costs to the Council.
- 5.3 It is important to recognise that the outcome of Self Financing will be a material factor affecting the City Council's ability to maintain, repair and replace its existing Housing Stock in the future and in setting the new HIP in February 2012. The Council's HRA Business Plan will include a 50 year HRA Financial model and Housing Asset Management Plan. This will allow us to more readily identify what resources are available in the future to undertake necessary Housing Schemes, which could include the further regeneration of Somerstown.

6 Joint City Council/Homes & Communities Agency Programme

- 6.1 In October 2010 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 Chief Officer responsible for financial administration (S.151 Local Government Act 1972), continues for 2011/12 to 2013/14.

7 Recommendations:

- i. That the detailed 2011/12 programme in the sum of £40.5 million be approved.
- ii. That the current proposed programmes of £29.7 million, £31.8 million, £24.4 million, £23.0 million, £23.1 million and £23.6million for the six financial years 2012/13 to 2017/18 be noted.
- iii. The Prudential Indicators for the Housing Revenue Account 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 up to £20 million on affordable housing each year between 2011/12 and 2013/14. 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.
- v. The Head of Community Housing & Regeneration be given delegated authority in consultation with the Chief Officer responsible for financial administration (S.151 Local Government Act 1972) to approve arrangements for the joint City Council and Homes & Communities Agency Programme for 2011/12 to 2013/14.

- vi. Authority be delegated to the S151 Officer to alter the mix of capital funding sources used to finance the HIP to maximise the resources available to the Council.
- vii. Agree in principal that there will be ongoing corporate financial support for the Private Sector renewals programme for 2012/13 to 2014/15, which will be subject to a further report to the Housing Portfolio and Council in November.

8 Reasons for recommendations

- 8.1 Approving the detailed budgets for 2011/12 and 2012/13 and noting budgets for future years, will enable 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 2011/12 to 2013/14.

9 Options considered and rejected

- 9.1 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 light of changing resources & opportunities since last reported in February 2011.

10 Duty to involve - Resident involvement in the budget process

- 10.1 Representatives of the Residents Consortium 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 this Housing Investment Programme budget.
- 10.2 Both HHM & HFS would like to place on record their thanks for the invaluable help given by our resident’s representatives during this process.

11 Corporate priorities

- 11.1 The Council’s Corporate Strategy drives the Housing Strategy which in turn drives the budget process. The Executive Summary from the Draft Housing Strategy 2011/12 – 2014/15, and the top strategic priorities for action is attached for reference at Appendix 2.
- 11.2 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

12 Equality impact assessment (EIA)

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

13 Legal implications

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

14 Financial implications

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

Signed by:



Owen Buckwell – Head of Housing Management

Alan Cufley – Head of Community Housing & Regeneration

Chris Ward – Chief Officer responsible for financial administration (S.151 Local Government Act 1972)

Appendices:

- Appendix 1: The Current System of Capital Controls
- Appendix 2: The Executive Summary from the Draft Housing Strategy 2011/12 – 2014/15, including the top strategic priorities for action plus Budget Principles adopted in preparing the revised programme.
- Appendix 3: A comparison of the HIP programme & resources approved by City Council on 8th February 2011 with the latest revised total programme & resources.
- Appendix 4: The detailed HIP spending proposals for 2011/12 to 2017/18
- Appendix 5: A summary of major changes to the programmes approved in February 2011.
- Appendix 6: The “Prudential Indicators” for the Housing Revenue Account including details of the estimated revenue effects of the proposed capital programme.
- Appendix 7: Private Sector Housing Financial Assistance Delivery – Impact on Services and Residents following any loss of Capital Funding

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 20th September 2011.

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 Signed by: **[Councillor Steven Wylie]**

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Leader of the City Council on 11th October 2011.

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 Signed by: Leader of Portsmouth City Council