

Report for Resolution

Report to Council
21 February 2012
Report of Head of finance
Subject Housing capital plan and capital programme 2012/13

Item
11

Purpose

This report reviews the Housing Capital Programme for 2011/12 and presents cabinet's proposed Housing Capital Plan for the years 2012 to 2017 and the Housing Capital Programme for 2012/13 for approval.

Recommendations

That council approve cabinet's recommendations of 15 February for:

- (1) the Housing Capital Plan 2012-2017;
- (2) the Housing Capital Programme 2012/13;

and that council note cabinet's approval of:

- (3) the Capital Allowance set out for 2012/13 and the extinguishing of previous years' Capital Allowances as set out in Appendix 1;

Financial Consequences

The financial consequences are as set out in this report.

Risk Assessment

A detailed risk assessment is included in the body of the report. The key risk associated with the Housing Capital Programme is the lack of further funding being made available to complete the programme.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priorities "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", "Safe and healthy neighbourhoods – working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities", and "Strong and prosperous city – working to improve quality of life for residents, visitors and those who work in the city now and in the future"

Cabinet Members:

Councillor MacDonald - Housing

Councillor Waters - Resources, performance and shared services

Ward: All Wards

Contact Officers

Barry Marshall, Head of finance

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Report

The Housing Capital Plan

1. Table 1 indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

Table 1 – Housing Capital Resources

Housing Capital Resources	2012/13 £'000s	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s	2016/17 £'000s
Major Repairs Reserve - balance brought forward	7,354	0	0	0	0
Major Repairs Reserve - depreciation	13,833	13,789	13,755	13,721	13,687
Right to Buy Receipts	504	504	504	504	504
HRA CFR Borrowing	0	13,599	9,935	16,752	2,734
Capital Receipts - balance brought forward	1,645	0	0	0	0
Capital Receipts - arising from land sales	2,385	0	0	0	0
Capital Receipts - arising from property beyond economic repair	2,582	689	689	689	689
Capital Grants	394	394	394	394	394
Leaseholders' Contribution	250	250	250	250	250
Revenue Contributions	1,327	4,551	5,406	6,068	6,107
Forecast Resources	30,275	33,776	30,934	38,378	24,365

2. From 2012/13 the existing housing subsidy system is to be abolished and the HRA will become self financing, the details of which are the subject of a separate report. In order to finance investment in homes, the council is able to borrow up to a 'debt cap' set by the government. Due to the current level of reserves, it will be possible to finance the 2012/13 from existing resources, but in future years additional borrowing will be necessary – shown above as “HRA CFR Borrowing”.

3. Table 2 indicates the anticipated levels of expenditure until 2016/17

Table 2 – Housing Capital Plan

Housing Capital Plan	2012/13 £'000s	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s	2016/17 £'000s
Public Sector Upgrades	25,271	27,751	28,240	35,684	22,171
Disabled Adaptations	1,700	1,800	1,800	1,800	1,800
Norwich Community Alarm Service	46	0	0	0	0
Total Public Sector	27,017	29,551	30,040	37,484	23,971
Capital Grants to Housing Associations	1,805	3,250	0	0	0
Private Sector Disabled Facilities and Renovation Grants	894	894	894	894	394
Site Acquisition, Maintenance for Redevelopment Sites	250	50	0	0	0
Disposal Costs	249	31	0	0	0
Private Sector Survey	60	0	0	0	0
Total Private Sector	3,258	4,225	894	894	394
Total Housing Capital Programme	30,275	33,776	30,934	38,378	24,365

4. The expenditure plans for the Public Sector programme included in the table above

are based upon anticipated costs arising from a number of contracts, projected through a 12 month period.

- All planned capital costs and resources are in line with HRA business plan projections, excluding contingency provisions and inflation adjustments.

Review of Housing Capital Programme 2011/12

- Table 3 summarises the anticipated outturn figures for the 2011/12 Housing Capital Programme.

Table 3 Housing Capital Programme 2011/12

	Approved Budget £000s	Brought Forward Budget £000s	Budget Virement £000s	Total Available £000s	Forecast Expenditure £000s	Forecast Variance £000s
Decent Homes	3,370	797	630	4,797	4,800	3
Heating	3,290	1,743	0	5,033	3,697	(1,336)
Windows	5,445	(2,689)	0	2,756	2,142	(614)
Composite Doors	316	0	0	316	120	(196)
Community Safety	150	(150)	0	0	2	2
Preventative Maintenance	2,192	703	0	2,895	2,197	(698)
Supported Independent Living	1,850	379	(630)	1,599	1,586	(13)
Communal Bin Provision	0	1,237	0	1,237	636	(601)
Total public sector	16,613	2,020	0	18,633	15,180	(3,453)
Capital grants to Housing Associations	1,295	1,143	0	2,438	1,252	(1,186)
Private Sector disabled facilities grants	500	0	0	500	500	0
Site maintenance	1,382	0	0	1,382	465	(917)
Renovation support in the Private Sector	394	0	0	394	394	0
Total private sector	3,571	1,143	0	4,714	2,611	(2,103)
Total Housing Capital Programme	20,184	3,163	0	23,347	17,791	(5,556)

- Table 3 indicates a forecast total underspend of £3.4m on Public Sector and £2.1m on the Private Sector capital programmes.

8. Slippage in 2011/12 has been caused by a number of issues, including the slow mobilisation of some new contracts, procurement issues with the new structural works contract and lower than anticipated demand for disabled adaptations. It is planned that the following anticipated underspent budgets will be subject to carry forward requests once the final year-end position is established.

	Proposed Carry Forward Budget (subject to final year-end position) £000s
Heating	1,336
Windows	614
Composite Doors	196
Preventative Maintenance	698
Public Sector Total	2,844
Capital Grants to Housing Associations	1,186
Site Maintenance	917
Private Sector Total	2,103

Recommended Housing Capital Programme 2012/13

9. Table 4 details the Housing Capital Programme for approval

Housing Capital Plan 2012/13	£'000s
Upgrades	25,271
Disabled Adaptations	1,700
Norwich Community Alarm Service	46
Total Public Sector	27,017
Capital Grants to Housing Associations	1,805
Private Sector Disabled Facilities and Renovation Grants	894
Site Acquisition, Maintenance for Redevelopment Sites	250
Disposal Costs	249
Private Sector Survey	60
Total Private Sector	3,258
Total Housing Capital Programme	30,275

10. The complete public sector programme will deliver, amongst other priorities:

- 1264 new kitchens and 747 new bathrooms
- Over 950 new heating systems or boilers
- 479 composite door replacements
- New PVCu windows to 2,400 homes
- 20 Whole house improvements

11. The level of grants in 2012/13 to the Private Sector for disabled facilities and renovation remains unchanged from 2011/12.

Risk Management

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

Risk	Probability	Impact	Mitigation
Capital Receipts not received from RTB sales	M	M	Relatively low levels of RTB receipts have been forecast
Repayment of General Fund advance not forthcoming	M	L	No plans to use funding until it has been received
Capital Receipts not received from sale of houses beyond economic repair	M	L	No plans to use funding until it has been received
Capital Receipts delayed	H	M	Use capital balances until funding secured
Grant levels decrease	M	M	Indicative Grant levels are known in advance, but not confirmed until after Council sets budget. Large variations are not expected.
Level of returns from leaseholders does not match forecast	L	L	Robust charging procedures within contract to ensure amounts due are recovered
Cost overruns	L	L	New contract arrangements ensure maximum cost in standard areas. Quoted works will be managed within available budget. Incentivisation will help keep costs to a minimum

Capital Allowances

Introduction

- (1) 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, which are:
 - i) Certain costs of facilitating disposal which are:
 - a) obtaining planning permission for the development of the land, or taking any other steps required to facilitate such development
 - b) preparing the land for development
 - c) acquiring an interest, easement, servitude or right in or over the land or adjoining land; or
 - d) obtaining the release of a restrictive covenant affecting the land
 - ii) Certain costs which the Authority has incurred or has resolved to incur on the provision of affordable housing and regeneration projects which are:
 - a) constructing or improving dwellings, or providing dwellings by the conversion of a building or a part of a building
 - b) making a gift of land (this is where the authority transfers an interest in land and either no consideration falls to be given for the transfer or the value of the consideration that falls to be given for the transfer is less than the price that the interest transferred would realise at the date of the valuation if sold by the authority on the open market
 - c) paying a contribution, grant, or subsidy under any power conferred on the authority under any enactment or
 - d) giving consideration for any benefit that the authority has received, or will receive by virtue of the project
- (2) Provision of affordable housing is defined by Statutory Instrument to mean the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the authority or a registered social landlord.
- (3) Regeneration projects is defined by Statutory Instrument to mean the carrying out of works to bring into effective use within the Authority's area any land or building that is vacant, unused, under-used, ineffectively used, contaminated or derelict.

- (4) The approval by the Council of the Capital Allowance avoids these receipts being “pooled”, or paid over to central government.
- (5) 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.

Capital Allowances 2006/07 to 2010/11

- (6) For years up to and including 2009/10, the Department for Communities and Local Government has finalised pooling of housing capital receipts based upon audited claims submitted by the Council which included the following sums extinguishing Capital Allowance:

2006/07	£6,337,562.33
2007/08	£2,186,811.00
2008/09	£ 654,534.62
2009/10	£1,047,500.00

- (7) For 2010/11, a claim has been submitted and audited, and confirmation is awaited from the Department for Communities and Local Government that they have finalised pooling of housing capital receipts, which include the following sums extinguishing Capital Allowance:

2010/11	£1,128,000.00
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- (8) These sums represent the Capital Allowance used (“extinguished”) in each year.

Capital Allowances 2011/12

- (9) The Capital Allowance for 2011/12 is calculated, based upon amounts that the Council, through the approval of the Housing Capital Programme 2011/12 has already resolved to spend on regeneration and affordable housing, as follows:

Brought forward from 2010/11	£14,762,465	
Planned non-HRA Housing Capital expenditure 2011/12	£3,571,000	As per approved Capital Programme 2011/12
Total Capital Allowance	£18,333,465	

- (10) It is currently anticipated that £338,763 of the Capital Allowance will be extinguished (by applying non-RTB Capital Receipts) during the course of the 2011/12 financial year. Any shortfall in receipts during this year will be reflected by carrying forward the un-extinguished Capital Allowance into the 2012/13 financial year.

Capital Allowances 2012/13

- (11) The Capital Allowance for 2012/13 is calculated, based upon amounts that the Council through the approval of the Housing Capital Programme 2012/13 will resolve to spend on regeneration and affordable housing, as follows:

Brought forward from 2011/12	£17,994,703	
Planned non-HRA Housing Capital expenditure 2012/13	£3,258,000	As per Capital Programme 2012/13 for approval
Total Capital Allowance	£21,252,703	

- (12) It is anticipated that £3,306,000 of the Capital Allowance will be extinguished (by applying non-RTB Capital Receipts) during the course of the financial year. Any shortfall in receipts during this year will be reflected by carrying forward the un-extinguished Capital Allowance into the 2013/14 financial year.