

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2009/10 - 2011/12		
<b>DATE OF DECISION:</b>	16 SEPTEMBER 2009		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND LOCAL SERVICES		
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**STATEMENT OF CONFIDENTIALITY**

NOT APPLICABLE

**SUMMARY**

Southampton City Council is committed to meeting the decent homes standard for its housing stock by 2010 and is shaping its capital programme to meets tenants' aspirations to live in decent neighbourhoods.

This report updates the Housing Revenue Account (HRA) Capital Programme that was approved in February 2009, as amended in July 2009 to reflect the actual level of spend in 2008/09. The size of the HRA Capital programme largely depends on the forecast level of available resources.

The detailed spending plans reflect the priorities set out in the HRA Business Plan and have been agreed with tenants. It is expected that with this programme of improvement works the objective of ensuring all Council owned homes reach the decent homes standard by 2010 will still be achieved.

**RECOMMENDATIONS:**

- (i) To approve the revised Housing Revenue Account (HRA) Capital Programme set out in Appendix 1.
- (ii) To approve the use of resources to fund the HRA Capital Programme as shown in paragraph 22, including the use of unsupported (prudential) borrowing in total of £14.818M, for the following purposes:
  - £2.150M to support the overall programme (unchanged from the report in February 2009)
  - £2.600M to fund the Digital TV proposals if this is more cost effectively purchased rather than leased (unchanged from the report if February 2009)
  - £4.706M to fund approximately 50% of the New Build schemes added to the capital programme

- £5.362M of short term borrowing to sustain the programme in 2010/11

- (iii) To note that the overall shortfall in resources of £2.420M is within the tolerances set by the Chief Financial Officer in the approved Medium Term Financial Strategy and that plans are in place to close this gap.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The update of the HRA Capital Programme must be undertaken twice a year in accordance with the Council's policy.

## **CONSULTATION**

2. The HRA Capital Programme is based on priorities developed with tenant representatives. The council works with tenant association representatives in discussing and considering the capital programme in a series of meetings. Tenants and leaseholders representatives have formed a Capital Group since 2006 made up of residents who have local knowledge of the areas in which they live, who are able to input, with information from officers, as to how the capital programme is developed and put in place to meet local needs. The size and content of the expenditure is discussed and agreed with residents at these meeting as well as at biannual Tenants' Conferences. As part of the consultation process the overall budget proposals have been presented to the Capital Groups and their views have been reflected in the proposals in this report.
3. A comprehensive consultation programme has been completed for the Estate Regeneration Programme from 8<sup>th</sup> June – 11<sup>th</sup> August 2009 to enable the consultation feedback to be included within the Report to go before the Cabinet on 28<sup>th</sup> September 2009. Various methods of community engagement were undertaken including letters; questionnaires, face to face visits for SCC tenants, shop owners and leaseholders; public consultation events and Design Festivals. The residents and local communities on all four sites, Cumbrian Way Shopping Parade (incorporating the parcel of land at CATERAN CLOSE), Exford Shopping Parade, Laxton Close and Meggeson Avenue are in favour of estate renewal and the regeneration of their areas.
4. There have been a number and range of activities undertaken in consulting garage tenants and the wider community who will be affected by the development of six under used garage sites for Phase 1 of the New Build scheme. Questionnaires, information packs, factsheets and public consultation events have been used to give residents and groups an opportunity to comment, contribute and help shape proposals.
5. This approach will be replicated for Phase 2 of the New Build scheme.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

6. The update of the HRA Capital Programme is undertaken within the resource constraints imposed upon it. Alternative options for new capital spending are tenant driven, based on technical advice from officers, the result of the stock condition survey and other surveys and the approved HRA Business Plan.

## DETAIL

### Overall position

7. The programme presented to Council in February 2009, amended in July 2009, has been revised taking into account the latest cost and phasing of schemes and the forecast change in resources described later in the report.
8. The change in the overall HRA programme is summarised in the following table:

	2009/10 £M	2010/11 £M	2011/12 £M	TOTAL £M
Proposed Programme	34.339	39.133	19.452	92.924
Current Programme	37.027	21.001	19.150	77.178
Variation	-2.688	18.132	0.302	15.746

The detailed programme is shown at appendix 1. Explanations for the changes can be found in paragraphs 10 to 18 and appendix 2.

9. There is a shortfall in resources of £0.506M in 2010/11 and a further shortfall of £1.914M in 2011/12, giving an overall shortfall of £2.420M in resources to fund the spending plans from 2009/10 to 2011/12. Within the Medium Term Financial Strategy approved by Council in May, the Chief Financial Officer advised that it would be prudent to set a limit on the proportion of the capital programme that could effectively be in deficit and a figure of 5% was set as a limit against which to monitor the programme. The deficits above are within this tolerance. An explanation for the change in resources can be found in paragraphs 19 to 28.

### Spending Plans

10. The table below provides a breakdown by programme area:

	2009/10 £M	2010/11 £M	2011/12 £M	TOTAL £M
Decent Homes	15.860	12.343	8.650	36.853
Decent Homes Plus	11.164	8.086	6.900	26.150
Decent Neighbourhoods	6.555	8.422	3.402	18.379
New Build	0.000	9.502	0.000	9.502
Other	0.760	0.780	0.500	2.040
Total	34.339	39.133	19.452	92.924

11. As the previous table shows there has been an increase in the programme. The additions to the programme are explained below, and the main changes are detailed in Appendix 2.

### **New Build**

12. As part of the Housing and Communities Agency (HCA) National Affordable Housing Programme 2008-2011, funding through Social Housing Grant in combination with Local Authority Prudential Borrowing was made available to build new homes for social rent. The funding is broadly split 50:50 between the two elements. All homes funded through this initiative must be completed by March 2011.
13. A bid has been submitted for Phase 1 to the value of £4.751M, funded by HCA grant (51%) and prudential borrowing (49%). This comprises the development of six under used garage sites to provide 35 new homes for 164 people.
14. There is a provision for a Phase 2 bid of a further £4.751M in the HRA capital programme. This will also be fully funded by Grant and Prudential Borrowing.

### **Estate Regeneration**

15. A separate report giving details of the Estate Regeneration programme is being presented to Cabinet on 28 September. In overall terms, in order to take forward the next 4 sites in this programme it is necessary to add £6.436M to the HRA capital programme to meet costs such as project management, procurement, resident relocation, buy back of property sold through the right to buy, additional land purchase and compensation to businesses.
16. However, there is only £4.016M of funding currently available to meet the costs of these new sites. This funding comes from forecast capital receipts from sale of the sites, PUSH and some additional Direct Revenue Financing.
17. This therefore leaves a funding gap of £2.420M which will need to be addressed in the forthcoming budget process. It will be necessary to identify efficiencies in the HRA that generate additional Direct Revenue Financing and also to continue negotiations with the HCA in an attempt to get grant funding towards these projects. However, if there is still a funding gap it will be necessary to consider what other schemes in the currently approved capital programme can be deleted / delayed to accommodate the spending on Estate Regeneration.
18. It should also be noted that the capital receipts will only be received once the sites are cleared, which means the earliest they are likely to be received is 2011/12. It will therefore be necessary to undertake short term prudential borrowing to fund the scheme until the capital receipts are received. This is one of the reasons for the short term unsupported (prudential) borrowing referred to in paragraph 24 below.

### **Capital Resources**

19. The resources which are available to fund the HRA Capital Programme comprise:
  - ◆ HRA Supported Borrowing
  - ◆ Unsupported Borrowing
  - ◆ Usable Capital Receipts
  - ◆ Grants and Contributions from third parties

- ◆ Direct Revenue Financing (DRF)
- ◆ The Major Repairs Allowance (MRA)

20. Supported Borrowing is the amount that the Government assumes a local authority will undertake in calculating its entitlement to HRA subsidy, and for the General Fund, Revenue Support Grant.
21. Unsupported Borrowing is any additional borrowing that the Council chooses to make but, in order to do this, it must be satisfied it can meet the resulting capital financing cost from its revenue budget. There is therefore no absolute limit on the level of borrowing but the key focus is on the ability to meet the capital financing costs in the long term.
22. The following table shows the resources available:

	2009/10 £M	2010/11 £M	2011/12 £M	TOTAL £M
Supported Borrowing	1.496	1.496	0.000	2.992
Unsupported Borrowing	0.300	13.718	0.800	14.818
Usable Capital Receipts	0.315	0.465	3.350	4.130
Grants & Contributions from 3 <sup>rd</sup> Parties	0.867	6.420	0.230	7.517
MRA	15.061	10.403	13.158	38.622
DRF	16.300	6.125	0.000	22.425
Total	34.339	38.627	17.538	90.504

23. Changes in resource position since the update in July are shown below:

	2009/10 £M	2010/11 £M	2011/12 £M	TOTAL £M
Supported Borrowing	0.000	0.000	0.000	0.000
Unsupported Borrowing	-4.104	11.818	0.000	7.714
Usable Capital Receipts	-0.185	-0.285	2.600	2.130
Grants & Contributions from 3 <sup>rd</sup> Parties	0.189	6.160	0.000	6.349
Major Repairs Allowance	1.420	-1.420	0.000	0.000
DRF	-0.007	1.353	-4.143	-2.797
Total	-2.687	17.626	-1.543	13.396

24. The change in unsupported borrowing is attributable to:

- Funding approximately 50% of the New Build schemes that have been added to the capital programme (£4.706M),
  - The deletion of the short term funding for Hinkler Parade as funding has now been secured from PUSH to meet these costs (£0.570M) and
  - An increase in short term borrowing of £3.578M, principally due to the funding requirements for the next 4 estate regeneration sites.
25. There is an increase in useable capital receipts of £2.130M. There is an increase of £2.600M in usable capital receipts associated with the sale of the four new Estate Regeneration sites once they have been cleared. This offset by the transfer of £0.470M to the Housing General Fund capital programme to help meet the costs of setting up the Local Housing Company.
26. The main changes in grants and contributions are HCA grant for New Build schemes totalling £4.797M, and £1.880M of additional PUSH and Planning Delivery Grant for Estate Regeneration. The latter means that the costs of the scheme at Hinkler Parade are fully funded from PUSH and there is £0.500M available to help meet the costs of the next four estate regeneration sites.
27. DRF has reduced over the 3 year period of the proposed programme. The increase in short borrowing previously mentioned will need to be repaid, along with the £0.688M of revenue savings from mobile working not being achieved means there is less to fund capital expenditure. These are partially offset by £0.969M of additional DRF from HRA balances carried forward from 2008/09, and £0.500M from revenue savings expected over the period of the programme.
28. The Major Repairs Allowance (MRA) has increased in 2009/10 and been reduced in 2010/11. This is because the Council was successful in its bid to bring forward government funding from 2010/11 to 2009/10. This was part of the governments initiative to bring forward funding to sustain spending during the recession.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

29. Contained in the main detail of the report.

### **Revenue**

30. Contained in the main detail of the report.

### **Property**

31. The proposals within this report are consistent with the Councils strategy for maintaining its housing stock.

### **Other**

32. None

## **LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

33. The provision, maintenance and improvement of social housing by local authorities is authorised by various Housing Acts and other legislation.

**Other Legal Implications:**

34. There are no specific legal implications arising from the proposals contained in this report.

**POLICY FRAMEWORK IMPLICATIONS**

35. The HRA Capital Programme forms part of the Council's overall Budget and is therefore a key part of the Council's Budget and Policy Framework.
36. It is expected that with this programme of improvement works the objective of ensuring that all Council owned homes reach the decent homes standard by 2010 will be achieved.

**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices**

1.	HRA Capital Programme 2009/10 to 2011/12.
2.	Explanation of main changes

**Documents In Members' Rooms**

1.	None
2.	

**Background Documents**

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.		
2.		

**Background documents available for inspection at:**

**FORWARD PLAN No:**

**KEY DECISION?**

**NO**

**WARDS/COMMUNITIES AFFECTED:**

The HRA Capital Programme will affect council tenants living in all wards of the City.