

**WARWICK DISTRICT COUNCIL**

**TO: HOUSING COMMITTEE - 25TH JANUARY 2000  
STRATEGY COMMITTEE - 16<sup>TH</sup> FEBRUARY 2000**

**SUBJECT: HOUSING INVESTMENT PROGRAMME 1999/2000 AND 2000/2001**

**FROM: FINANCE, HOUSING, ENVIRONMENTAL HEALTH & COMMISSIONING  
TEAM**

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**1 PURPOSE OF REPORT**

1.1 To consider the detailed estimate proposals for the Housing Investment Programme for 1999/2000 and 2000/2001.

**2 BACKGROUND**

2.1 A detailed report of the Housing Investment Programme for 1999/2000 and 2000/2001 was submitted to the Housing Committee on 2nd August 1999. The total programmes then approved can be summarised as follows:

	<b>1999/2000 £</b>	<b>2000/2001 £</b>
Housing Revenue Account	2,419,100	2,158,700
Environmental Health Committee	583,900	569,800
Housing Associations	2,147,100	2,067,500
<b>Total Capital Programme</b>	<b>5,150,100</b>	<b>4,796,000</b>

2.2 The Housing Investment Programme is continuously monitored, in order that action can be taken to respond to either changes in the planned level of spending or the changes in financial resources available to finance the expenditure.

2.3 Members may wish to note that the Government Office for the West Midlands gave the Council an “average” rating in terms of its HIP Submission this year, as detailed in the “HIP 1999 Performance Assessment” shown in Appendix “C”. This was disappointing, particularly in view of the comments made in support of that classification. A response was made to the Government Office explaining the reasons for our

dissatisfaction, a copy of which is attached at Appendix “D”. Their reply is copied at Appendix “E”.

### **3 CAPITAL RESOURCES**

3.1 The Department of the Environment, Transport and the Regions has written to all authorities informing them of the appropriate Annual Capital Guidelines (ACG) and Basic Credit Approvals (BCA) for 2000/2001. A brief description of the terms and system is given at Appendix “B” as an aide for Members.

3.2 The Basic Credit Approval for 2000/2001 has been issued under the new regime of the Housing “Single Pot”, whereby previously separate identifiable allocations have been brought together within the one credit approval. This new allocation encompasses what used to be separate allocations for the Capital Receipts Initiative and the cash grant for Private Sector Renewal Grants.

3.3 The Basic Credit Approval to cover all services for 2000/2001 is £2,641,000 based on the Housing ‘Single Pot’ regime. (In 1999/2000 the equivalent figure was £1,971,000, the addition of the various separate elements). This is calculated as follows:

	<b>£</b>
Housing Investment Programme - ACG	3,269,000
Other Services - ACG	160,000
<b>Total Annual Capital Guidelines</b>	<b>3,429,000</b>
Less: Receipts Taken Into Account	(788,000)
<b>Basic Credit Approval</b>	<b>2,641,000</b>

3.4 The Council’s Strategic Capital Programme has been drafted prior to this report, and it remains possible to continue the policy of allocating the whole of the BCA to housing purposes. It is suggested, therefore, that, as in 1999/2000, the BCA of £2,641,000 be allocated wholly towards the Housing Investment Programme.

3.5 The resources available to finance capital expenditure are estimated to be as follows:

	<b>1999/2000</b>	<b>2000/2001</b>
	<i>HIP Estimate £</i>	<i>Latest Estimate £HIP Estimate</i>

		<b>£Latest Estimate £</b>
Basic Credit Approval	790,000	790,000 2,604,000 2,641,000
Supplementary Credit Approvals (SCA)	128,360	108,000 119,900 120,000
SCA - Capital Receipts Initiative	1,225,070	297,070 0928,000
Specific Capital Grants	222,000	222,000
Capital Receipts	734,600	1,299,500 443,525 722,725
<b>Revenue Contributions</b> - HRA	1,012,600	1,012,600 754,600 891,600
- Disabled Facilities Grants	14,000	14,000 4,300 4,300
<b>Resources in year</b>	<b>4,126,630</b>	<b>3,743,170 3,926,325 5,307,625</b>
	<b>1999/2000</b>	<b>2000/2001</b>
	<b>HIP Estimate £</b>	<b>Latest Estimate £HIP Estimate £Latest Estimate £</b>
Add Resources brought forward to fund committed schemes	1,893,510	1,893,510 870,040 2,464,520
<b>Total Resources Available</b>	<b>6,020,140</b>	<b>5,636,680 4,796,365 7,721,145</b>
Less Capital Programme	5,150,100	3,172,160 4,796,000 6,941,200
<b>Resources carried forward</b>	<b>870,040</b>	<b>2,464,520 365,830,945</b>

<i>(refer Paragraph 5.1)</i>		
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- 3.6 The Revenue Contributions of £891,600 in 2000/2001 are forecast based on the estimates as set out in the report "Housing Revenue Account Estimates 1999/2000 and 2000/2001" immediately preceding this report, and includes a suggested rent increase of £2.12 per week. If the estimates have been amended in any way, there will be an impact on the Contribution from Revenue and, therefore, the ability to resource this programme.

#### **4 HOUSING INVESTMENT PROGRAMME 1999/2000**

- 4.1 Appendix "A" sets out the Housing Capital Programme as approved in the August H.I.P. report and the latest programme based on current information. There are a number of changes to individual schemes since the report to your meeting on 2nd August, which can be seen from this Appendix "A". By far the largest change is that in the programme for Housing Associations where, in particular, the development at Warwick Gates has necessitated funding of some £928,000 being carried forward to 2000/2001 to enable this scheme to commence, and was the subject of a report to this Committee in November 1999. I am pleased to report that DETR have approved the carrying over of the Capital Receipts Initiative monies attached to this scheme.
- 4.2 The estimated capital resources available show a net increase of £518,070 over the Original Estimate for 1999/2000, and this does not allow for the sum of £928,000 being carried forward into 2000/2001. Capital Receipts arising from the sale of council houses has increased by £778,900 in that time.

#### **5 HOUSING INVESTMENT PROGRAMME 2000/2001**

- 5.1 The programme for 2000/2001 is shown in Appendix "A", and Members will note that the column headed "Reserve" has been omitted. This was introduced for 1999/2000 in view of difficult decisions which had to be made at this time last year in order to make available a balance of resources to be held in case of, for example, a poor HIP allocation. Appendix "A" shows that the programme for 2000/2001 can be resourced fully and still retain a balance of around £831,000 at the end of the year. In view of this it is felt that the "Reserve" programme is no longer needed, though the balance is referred to in greater depth in paragraph 6.2 below. It should be noted that the Reserve Programme shown in the Revised Estimates for 1999/2000 has now been incorporated in the "Core" Programme for 2000/2001.
- 5.2 The Contribution from the Housing Revenue Account (HRA) has been reduced by £121,000 from the Original Estimate 1999/2000 in order to finance the increasing costs of Revenue Repairs, arising from, in the main, the electrical and the gas contracts. This has not had a negative effect on the Capital Programme, which can still be fully resourced and a balance carried forward into 2001/2002.

This is referred to in the report "Housing Estimates 1999/2000 and 2000/2001" immediately preceding this report.

## **6 FUTURE FUNDING**

- 6.1 Following the introduction of Resource Accounting in the Housing Revenue Account in the year 2001/2002, the system for allocations from Central Government for repairs, maintenance and improvements will change. At present the Council receives Basic Credit Approvals for capital purposes, and a Maintenance Allowance within Housing Subsidy to cover revenue works. Under Resource Accounting it is intended that the allocations will be revenue based (the "Major Repairs Allowance") and paid within Subsidy, using a formula which is presently out to consultation. It will be for the Council to decide how this allowance should be spread between capital and revenue expenditure.
- 6.2 Guidance has yet to be issued on Resource Accounting, and it is not possible to ascertain at this stage the impact of these changes. In view of this, it is felt that a balance of around £831,000 should be carried into 2001/2002 in order to lessen any negative effects of the changes. This is a prudent step in any event, and continues the strategy introduced in January 1999.

## **7 KEY ISSUE STRATEGIES**

- 7.1 A number of Key Issues are applicable as mentioned in the K.I.S. paragraph within the Housing Revenue Account Estimates report. In addition, the Regeneration scheme for Charles Gardner Road supports the Economic Development Key Issues, and the involvement of the Community is the essential element in the Planning for Real Initiative.

## **8 CONCLUSIONS**

- 8.1 **The Housing Committee** is requested to consider the information provided in this report and make recommendations to the Council on the following:
- (1) That the Revised Capital Programme for 1999/2000 be approved.
  - (2) That the Committee consider the information in this report relating to the proposed 2000/2001 Capital Programme and make recommendations to the Council as to whether the Programme is acceptable or, if not, suggestions for changes.
- 8.2 **The Strategy Committee** is requested to consider the information in this report and make recommendations to the Council on the following items:
- (a) Is the allocation of the Basic Credit Approval between the Housing Investment Programme and Other Services acceptable? (Paragraph 3.3)

(b) Is the Capital Programme outlined in Appendix “A” acceptable and, if not, what changes would the Committee like to recommend?

Kevin Roberts  
Principal Accountant (Housing)

Derrick Dyas  
Head of Housing

## **BACKGROUND PAPERS**

Housing Strategy Statement 1999/2000 - August 1999

Various letters from Department of Environment, Transport and the Regions :-

- Basic Credit Approvals 1999/2000 and 2000/2001 -
- Annual Capital Guidelines for Other Services 1999/2000 and 2000/2001
- Housing Investment Programme Allocations 1999/2000 and 2000/2001

Supplementary Credit Approvals 1999/2000 and 2000/2001 - Specified Capital Grants  
Housing Investment Programme Estimates File

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**Areas in District Affected:** All

## **APPENDIX “B”**

### **CAPITAL FINANCING - NOTES**

#### **1 USEFUL TERMS**

- 1.1 **Annual Capital Guidelines (ACG)** - figures to indicate the Government’s view of the relative need for capital expenditure. The Council receives guidelines for ‘Housing’ and ‘Other Services. The guideline figures do not convey authority to borrow or capitalise expenditure.
- 1.2 **Basic Credit Approval (BCA)** - the basic amount fixed by Government which an authority may borrow each year to finance capital expenditure. The BCA is the authority’s total Annual Capital Guidelines less Receipts Taken Into Account (RTIA).
- 1.3 **Supplementary Credit Approval (SCA)** - an amount additional to the Basic Credit Approval, but are almost always issued on condition that they be used for a specific purpose. SCAs usually only apply to the year in which they are issued, but the SCAs issued to this authority for 1999/2000 and 2000/2001 have been applicable for either two years or eighteen months.

1.4 **Receipts Taken Into Account (RTIA)** - a proportion of the amount of capital receipts available at the beginning of the preceding year or received during that year. This amount is deducted from the total ACG's to arrive at the BCA.

1.5 **The "Housing Single Pot"** - in previous years the Council has received not only a Basic Credit Approval, but also a Supplementary Credit Approval issued under the Capital Receipts Initiative, and a cash limited grant for Private Sector Renewal Grants. From 2000/2001 these separate allocations have been incorporated into one allocation, the Basic Credit Approval. This gives the Council greater flexibility as to the use of the allocation.

## 2 **OTHER NOTES**

2.1 An authority may incur capital expenditure to a limit arrived at by adding together its total Basic Credit Approval, Supplementary Credit Approvals, its prescribed proportions of capital receipts, and any revenue money made available to meet capital expenditure.

2.2 One BCA is issued to the authority and the Council must decide how that one approval is to be divided between housing and other services. The allocation for capital grants relating to Disabled Facilities Grants is not included in the BCA but Supplementary Credit Approvals will be issued to cover actual expenditure on these grants. Any allocation of SCAs underspent cannot be utilised on other expenditure.

2.3 For housing revenue account activities the percentage of capital receipts that may be used to supplement the capital programme is 25% from the sale of dwellings and 50% from other sales.

12.4 Capital expenditure which exceeds an authority's power to incur such expenditure is "ultra vires" or, in other words, illegal. If an authority exceeds its spending authority it must cover the excess from its revenue balances. If expenditure exceeds the revenue balance, then it would be illegal to incur any excess. Usable capital receipts can be carried forward but will reduce future Basic Credit Approvals.









