

Carlisle City Council

Report to:-	The Mayor and Members of the City Council	
Date of Meeting:-	03 December 2002	Agenda Item No:-
Public	Operational	Delegated Yes
Accompanying Comments and Statements	Required	Included
Environmental Impact Statement:	No	No
Corporate Management Team Comments:	No	No
City Treasurers Comments:	Yes	Yes
City Solicitor & Secretary Comments:	No	No
Head of Personnel Services Comments:	No	No
Title:-	HOUSING STOCK TRANSFER PUBLIC SECTOR HOUSING INVESTMENT PROGRAMME	
Report of:-	The City Treasurer	
Report reference:-	Financial Memo 2002/03 No 88	

Summary:-

The City Treasurer reports on the level of spending on the City Council's Public Sector Housing Investment Programme to date, and on the level of contractual liabilities to be taken over by CHA, and makes recommendations on the use of funding resources in meeting the expenditure in 2002/03.

Recommendation:-

1. Members are asked to note and approve
 - I. the 2002/03 revised Public Sector Housing Investment Programme at £5.524m as shown in Appendix 1 to this report.
 - II. the resources detailed in Appendix 1 to be applied in funding the revised programme so as to ensure that a surplus MRA balance of £750,000 is available to be paid over to Carlisle Housing Association as part of the transfer process.

Contact Officer: Douglas Thomas

Ext: 7299

CITY OF CARLISLE

To: The Mayor and Members of the Financial Memo

City Council 2002/03 No 88

03 December 2002

HOUSING STOCK TRANSFER

PUBLIC SECTOR HOUSING INVESTMENT PROGRAMME

1. INTRODUCTION

1. When setting the current year's budget, the City Council approved a Public Sector Housing Investment Programme (PSHIP) totalling £4.853m. This was to be funded from:
 - o Borrowing Approval £ 818,000
 - o Government Grant (Major Repairs Allowance) £3,881,000
 - o Capital Receipts £ 154,000

1. When the Capital Outturn for 2001/02 was reported to Council in June, it was evident that there had been a major underspend on last year's PSHIP. The Council subsequently approved an increase of £2.257m in this year's programme to reflect the increased commitments rolling forward from last year. This had the effect of bringing the total PSHIP up to £7.110m for 2002/03.
2. The increase in the programme was to be funded from resources carried forward from 2001/02 because of the underspending in that year, made up of:
 - o Unspent Capital Receipts £ 721,000
 - o Government Grant (Major Repairs Reserve) £1,016,000
 - o Revenue Contribution from HRA £ 520,000

1. The major funding source of the PSHIP is government grant received via the newly introduced (2001/02) Major Repairs Allowance. This is calculated by reference to depreciation and so, in the case of housing stock transfers, the amount receivable in the year of transfer is recalculated pro-rata on a daily basis to the point of transfer. Thus in 2002/03 the City Council will only receive £2.679m by way of Major Repairs Allowance for that year.
2. The reduction in MRA by £1.202m (because the stock will transfer part way through the year) has the effect of reducing the funding support for the 2002/03 revised capital programme from £7.110m to a maximum of £5.908m. .
3. Appendix 1 summarises the original and revised capital programme and the resources available to support the programme in 2002/03.

Original
Revised
Revised

Budget
Approval
Position

Approval
Outturn to

2002/03
2001/02 08
December

Available Resources £000 £000 £000

Borrowing
Approval
(BCA) 818
818 818

Major
Repairs
Allowance
(2002/03)
3,881 3,881
2,679

Major
Repairs
Reserve
(B.Fwd
2001/02) -
1,016 1,016

Capital
Receipts
154 875 875

Revenue
Contribution
from HRA -
520 520

4,853 7,110
5,908

1. Capital Spending 2002-03

1. Monitoring of the PSHIP has shown a very significant underspending in the first half of the year, with actual spending to 30 September 2002 totalling only £1.05m. Capital programmes approved on an annual basis are traditionally very biased towards the second half year by way of spending and commitments incurred.

2. Spending to 27 October 2002 has increased to £1.58m and is projected at approximately £2.58m to 08 December 2002.
3. One consequence of this low level of spending will be a significant increase in the value of contractual commitments which CHA will inherit responsibility for on 09 December 2002. This outstanding commitment is currently estimated at £1.7m (plus VAT) although the actual amount could increase further if actual spending falls short of that projected. This sum includes provision for Doors Contract No 5, which will not be let by the City Council before 09 December, but will fall immediately to be let by CHA. In addition, CHA will assume a moral obligation towards tenants in respect of the balance of the current year's programme which has not yet been contractually committed and which is estimated at up to a further £0.8m, ie a total commitment to CHA of £2.5m.

4. The City Council will retain residual liability to complete the Raffles Area Strategy Programme budgeted at £830,000, of which £360,000 is estimated to have been spent by 08 December 2002. All other liabilities will transfer to CHA on 09 December 2002.
5. In addition to the balance of outstanding contractual liabilities (estimated at £1.7m) CHA will also incur VAT on this expenditure which will add an estimated £300,000 to their commitments, unless at this late stage it can be brought within the umbrella of the VAT shelter arrangement. This is currently being investigated by Consultants acting for CHA.

2. MAJOR REPAIRS ALLOWANCE Payable to CHA

1. The principal funding source for the PSHIP is the Major Repairs Allowance – a new element of the housing subsidy arrangements introduced in 2001/02.
2. Any unspent monies from this source have to be "reserved" at the end of a financial year and can only be used in support of PSHIP in future years. The money is not available to be used in support of the Council's wider objectives. Thus this year's programme is part funded by the £1.016m Major Repairs Allowance which was not spent in 2001/02.
3. On transfer of the Council's housing stock, any unspent balance of the Major Repairs Allowance and any Reserve, must be paid over to the new Registered Social Landlord.
4. In developing their Business Plan, CHA initially assumed they would receive a contribution of surplus MRA in excess of contractual liabilities of £250,000.
5. Subsequently, CHA revised their estimate of this surplus contribution from £250,000 to £750,000. This was done in order to balance their business plan after absorbing the impact of the higher than expected pay award for DSO staff, (which added approximately £3m over the 30 year life of the business plan) and conceding the increase from 10 years to 15 years in the Right to Buy Sharing Agreement with the City Council. It is on this revised basis that the CHA business plan and CHA's registration as a Social Landlord, has been approved by the Housing Corporation – both of which are prerequisites to the transfer taking place.
6. In order to be in a position to ensure that the balance of MRA exceeds contractual liabilities by £750,000, it will be necessary to commit all of the £875,000 of capital receipts which were intended to fund this year's PSHIP, including the brought forward commitments, together with £136,000 of the £520,000 provision for a revenue contribution. This will leave the City Council in no worse a position (and approximately £384,000 better off in the HRA) than if

the Council had retained the stock for the full year and remained responsible for the full capital programme. However, the previously anticipated (but unreported) savings in the use of capital receipts will no longer be available to support the Council's future capital programme.

7. The City Council will still be responsible for funding the Raffles Area Strategy to a cost of £830,000, which will be met by :

- o Borrowing Approval 818
- o Capital Receipts 12

830

1. The reduction in the PSHIP to £5.524m as shown in Appendix 1, compared to a maximum provision of £5.908m, represents a net saving of £384,000. This should result in a saving to the HRA of £384,000 in not making the required revenue contribution, and increase the £1.6m minimum assumed closing balance on the HRA by a similar sum. However the HRA revised estimates, which recently showed a much improved closing balance will need to be revised downward when final decisions are approved in relation to the two matters addressed at this meeting.

4. Recommendations.

1. Members are asked to note and approve:-
 - i. the 2002/03 revised Public Sector Housing Investment Programme at £5.524m as shown in Appendix 1 to this report.
 - ii. the resources detailed in Appendix 1 to be applied in funding the revised programme so as to ensure that a surplus MRA balance of £750,000 is available to be paid over to Carlisle Housing Association as part of the transfer process.

D THOMAS

City Treasurer

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City Treasury, Carlisle

25 November 2002 CT/CH/f880203

Carlisle City Council
Public Sector Housing Investment Programme 2002-03

Appendix 1

1 Approved Public Sector Housing Investment Programme 2002-03

	Original Programme 2002-03 £,000 (1)	Adj to 08-Dec-02 2002-03 £,000 (2)	Slippage From 2001-02 £,000 (3)	T 20 £ (4)
Funded by				
Borrowing Approval - BCA	818	818		
Major Repairs Allowance	3,881	2,679		
Major Repairs Reserve			1,016	
Capital Receipts	154	154	721	
Revenue Contribution from HRA			520	
	4,853	3,651	2,257	

2 Revised Public Sector Housing Investment Programme 2002-03

	Spent to 27-Oct-02 £,000	Expenditure Expect Oct-Dec £,000	CHA Post Dec £,000	T 20 £
Expenditure				
Actual to 27 October 2002	1,584			
28 Oct -08 December including creditors		1,000		
Commitments per Contract Controls				
at 27 Oct -less anticipated spend to Dec			2,170	
	1,584	1,000	2,170	
Deduct				
CCC liability for Raffles -830	-285	-75		
Uncommitted items not yet contracted				
Gutters			-150	
Ramps			-100	
Flat Roofs			-125	
Chimneys			-75	
Adjusted Spending Profile for City Council /CHA	1,299	925	1,720	
Business Plan MRA surplus to CHA 750			750	
Funding to be Transferred to CHA Post transfer			2,470	
Raffles Funding retained by City Council	285	545		
	1,584	1,470	2,470	

3 Total PSHIP Spending to be funded 2002/03**4 Total Funding Resources to be Applied 2002-03**

	CHA post 09-Dec-02	Carlisle City Council to 8-Dec-02	Raffles	T 20
BCA			818	
Cap Recpts		863	12	
MRA	2,470	209		
MRR		1,016		
RCCO		136		
	2,470	2,224	830	