

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Housing Portfolio Holder

20 January 2010

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### REVENUE AND CAPITAL ESTIMATES FOR THE HOUSING PORTFOLIO

#### Purpose

1. To consider the Revenue Estimates up to the year 2010-11 and the Capital Programme up to 2014-15.
2. This is not a key decision. However, the report presents the relevant estimates for endorsement by the Portfolio Holder, prior to being included as part of the overall estimates to be presented to the Cabinet and confirmed by Council in February 2010.

#### Background

3. The estimates for the Housing Portfolio form part of the overall considerations for the Council's annual budget setting exercise and cover Housing General Fund (GF) and Housing Revenue Account (HRA) expenditure.
4. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead Estimates on 16 December 2009. The recharges approved at that meeting are recharged to all services, as appropriate. These are termed as Central, Departmental and Support Services in the detailed estimates and the analysis reflects the current service structure. It should be noted that, as all the recharges have already been approved, individual portfolio holders cannot amend them.
5. The estimates for each portfolio are being reported to the relevant Portfolio Holder. These estimates will then be summarised in a report for examination by the Scrutiny and Overview Committee on 4 February, consideration by the Cabinet on 11 February, and finally, presentation to the Council on 25 February for confirmation of the estimates and levels of the Council Tax and Rents.
6. The HRA is a "ring fenced" account and only expenditure on local authority housing and associated matters can legally be charged to this account. The income to pay for HRA expenditure comes mainly from rents charged to the Council's tenants. Because the General Fund and HRA are separate accounts of the Authority, with separate funding, the Housing General Fund and the HRA estimates are considered separately.
7. The Housing General Fund revenue estimates are set out in **Appendix A**, the HRA estimates in **Appendix B** and the capital programme is shown at **Appendix C**.
8. **Appendix D (1-4)** consists of capital proposal forms, for consideration alongside the capital programme being approved.
9. Provisions for inflation have been applied only in cases where price increases can be justified. No automatic inflation allowance has been applied, but the 2.5% overall assumption of non-pay inflation in the Medium Term Financial Strategy remains as the overriding level of provision.

10. Where applicable, the estimates of each portfolio incorporate the approved savings agreed by Cabinet and Council in November 2009 and all other expenditure approvals made up to that date. They also take account of any virement made during the year and rollover of budget from the previous year.
11. All the estimates exclude the small number of 'Precautionary Items', which are listed at the back of the current estimate book. They are specific, exceptional items of expenditure that may or may not occur during the budget period, but if they did the Council would be required to meet them. An updated list will be presented to the Cabinet on 11 February 2010. The only request for inclusion on the list within this Portfolio is for £80,000 in relation to possible expenditure on homeless accommodation costs.

### **Considerations**

#### **HOUSING GENERAL ACCOUNT REVENUE ESTIMATES: REVISED 2009-2010 AND ESTIMATES 2010-11**

12. A summary of the revenue estimates for the Housing General Fund are shown at **Appendix A**. The total estimates have been analysed between direct costs, capital charges and recharges, so that the direct costs can be identified for comparison. This is considered appropriate because the direct costs are specifically within the control of the relevant cost centre manager. By contrast, the Staffing and Overhead Estimates determine the recharges and the capital charges are notional charges that do not affect the overall expenditure of the Council.
13. The **Appendix A** also shows a net direct costs comparison for both years, between the expected target expenditure and the new estimates that have been compiled for this meeting; the target was arrived at by taking the total direct costs in the original 2009-10 estimates and adjusting for transfers relating to recharges, virement, any approved additional expenditure, approved savings and, for next year, inflation together with the impact of the cessation of the housing futures project. The result is that the 2010-11 estimate is £43,640 above the target of £10,300 mainly owing to delays in achieving the savings proposed for outdoor maintenance and shopping car parks. The revised 2009-10 estimate is below the adjusted original estimate by £61,990, largely owing a smaller than anticipated recharge from the HRA in relation to the housing futures project.
14. The vast majority (96% in the 2010-11 estimate) of the Housing General Fund Expenditure is made up of recharges from the staffing and overhead accounts and notional capital charges and neither of these are being considered here. Some comments on the individual estimate headings, where there are significant direct costs, are given in the following paragraphs.
15. Homelessness
  - (a) Officers have been successful in introducing various strategies to both reduce the need for and the cost of temporary accommodation for the homeless. As a consequence, a reduction of £15,000 has been made when the revised estimate for accommodation is compared to the original estimate for 2009-10.
  - (b) In view of the difficulty in accurately estimating the demand for accommodation, it is requested that £80,000 be included on the list of precautionary items for possible additional expenditure on temporary accommodation, as in the current economic climate repossessions may increase.

- (c) The amount requested as a precautionary item for this purpose in 2009-10 was £100,000 and to date, none of this has been utilised. The proposal for £80,000, therefore, represents an decrease of £20,000.
16. Lettings and Advisory Service
- (a) The choice based letting scheme (Homelink) went live in February 2008 and is believed to have contributed to the reduction in void time for Council properties.
  - (b) Applicants on the Council's housing waiting list can be offered HRA properties or those belonging to other social landlords and a contribution from the HRA is calculated based on the portion of HRA lettings relative to the total lettings. Housing Associations using the scheme also make contributions.
  - (c) Apart from the recharges the expenditure is mainly made up of the Council's share of the cost involved in advertising properties throughout the region.
17. Shopping Car Parks
- Negotiations are underway to sell/lease all the shopping car parks and the original estimate for this year was based on the assumption that most of the car parks would no longer be the Council's responsibility by now. Unfortunately, none of the sales/lease transfers have been achieved to date. However, it is now anticipated the most of the car parks will be disposed of before the end of this financial year. The £30,000 included in the savings target for 2010-11 is not now expected to be fully achieved until 2011-12.
18. Mobile Warden Schemes
- This budget is for grants to various Charities and Parish Councils who run schemes providing mobile warden support. 2010-11 is expected to be the final year that these grants will be available as they have been identified as a saving in 2011-12
19. Travellers Issues
- The direct expenditure is for legal costs and other enforcement action and as such is unpredictable. Any direct expenditure in excess of the budget is met from a reserve set aside for this purpose.
20. Recharge from the HRA
- (a) The General Fund is required to make a contribution to the Housing Revenue Account where HRA facilities are used by the wider community, or where expenditure is incurred on an area which is not considered to be a landlord function.
  - (b) The main elements of the net recharge are:
    - (i) use of sheltered housing communal facilities by the wider community and staff involvement in non HRA activities (the sheltered housing contribution); and
    - (ii) outdoor maintenance expenditure being apportioned to reflect the fact that around half of the homes benefiting from the service are in private ownership as a result of Right to Buy sales
  - (c) Provision was been made in the original estimates for £251,090 to be charged to the General Fund in 2009-10. It is now anticipated that only £185,390 will be required, mainly owing to savings on outdoor maintenance.
  - (d) In 2010-11 the estimated recharges amount to £158,530, reflecting further savings on outdoor maintenance and efficiencies in the sheltered housing service. However, although there has been a saving on recharges the reduction on outdoor maintenance element is anticipated to be £13,000 lower than the £80,000 included in the approved savings targets for 2010-11. There may be some further reduction in 2011-12 on the outdoor maintenance element of the recharge and the full £30,000 saving on shopping car parks may also be achieved.

21. Recharge from the HRA for the Housing Futures Project
- (a) Tenants were balloted during the early part of this financial year on whether they support the Council's housing transfer proposal and overwhelmingly rejected the offer
  - (b) The housing futures expenditure incurred has to be split between the HRA and the General Fund based on Department of Communities and Local Government (CLG) guidance. Most of the actual expenditure incurred 2009-10 is payable by the HRA rather than the General Fund.
  - (c) Prior to the Tenant's decision, not to go ahead, £4,000 of the £50,000 included in the precautionary items to cover the cost of consultancy and other support necessary to progress to the next stage of the housing futures process was drawn on.
22. Recharges from Staffing and Overhead Accounts - Central, Departmental and Support Services (see estimates report to the Finance and Staffing Portfolio Holder 16 December 2009):
- (a) The total estimated recharges from Staffing and Overhead Accounts to the Housing General Fund decreased by £43,220 (-3.3%) from £1,320,860 in the original 2009-10 Estimate to £1,277,640 in the 2010-11 Estimate. The 2009-10 Revised Estimate of £1,436,050 is £115,190 (8.7%) higher than the original estimate. The majority of the increase in the current year can be accounted for by the costs relating to additional temporary staff being employed to cover sickness in the homelessness and housing advice team, one off redundancy costs and the employment of an additional officer (on a short term contract) as part of the homelessness prevention strategy. More than half of the increased expenditure has, however, been covered by virement from the direct costs. The change in recharges to this portfolio may be compared with the Council's overall recharges to services, as below.
  - (b) In general, the level of recharges depends on the cost of the service and support officers' time, ICT, contact centre, administrative buildings (mainly Cambourne Offices), Central Expenses and Central Support Services. Over the whole Council, these costs to be recharged were £18.876m in the Original Estimates 2009-10, £18.198m in the Revised Estimates 2009-10 and £17.419m in the Estimates 2010-11. These equate to decreases of £0.678m (-3.6%) in 2009-10 and £1.457m (-7.7%) in 2010-11, when compared with the original estimate 2009-10. The savings reductions were the main reason for 2010-11 decrease, but only one factor in 2009-10, when the substitution of the 2.5% pay award with 1% and vacancies in Cambridgeshire Horizons/Housing and Planning Delivery Grant funded posts were also major reasons for the reduction.
  - (c) The costs being recharged to each portfolio, however, depend on how the above sums are allocated across services. Most central overhead costs are distributed per head to each officer, whose total cost is then allocated according to the officer's latest estimate of time spent on each service.

## HOUSING REVENUE ACCOUNT ESTIMATES: REVISED 2009-2010 AND ESTIMATES 2010-11

23. A summary of the HRA estimates is shown at **Appendix B**. The deficit for the year has been analysed after excluding the figures for unallocated recharges and those from the Staffing and Overhead accounts. The exclusion of these recharges is considered appropriate because the direct estimates are specifically within the control of the relevant cost centre manager.
24. Comments on the HRA estimates are given in the following paragraphs.
25. Administration.  
This item of expenditure relates to the management of the housing stock (including rent collection and the management of repairs) and is, therefore, mainly comprised of recharges from the staffing and overhead account.
26. Support Services – Sheltered Housing
- (a) The main item of support service expenditure is the sheltered housing service. This service has historically been heavily subsidised by the HRA.
  - (b) Following a review of sheltered housing, various changes to the staffing levels and working practices are being introduced during 2010-11. The level of subsidy from rents in general should be considerably reduced as a consequence.
  - (c) The new working practices will mean that sheltered housing officers will target those in particular need of a visit.
  - (d) Negotiations are currently being undertaken to move to a block grant for a large part of the support element of the service charge. If, in addition to the altered working practices, this change in funding actually takes place both Tenants and Leaseholders will see a substantial reduction in their weekly service charge.
  - (e) The estimates have been prepared on the assumption that new arrangements are in place by the middle of the financial year. Clearly, however, service charges cannot be reduced until the proposed new arrangements have been fully implemented. Any slippage will, therefore, mean a delay to charging the lower amount to Tenants and Leaseholders.
27. Support Services – Other Alarm Systems  
In future it is proposed that any one losing equipment will be asked for a contribution towards the cost of a replacement (£40 in 2010-11). It also proposed to charge £18 for new installations in line with most other providers.
28. Contribution to the Housing Repairs Account
- (a) The repairs account was set up in 2001-02 as part of the changes introduced with resource accounting in the HRA. The estimates have been prepared on the assumption that the Major Repairs Allowance (MRA), other contributions and capital receipts will be used where possible to fund the programme.
  - (b) From 2009-10 capital element of the programme has been reduced considerably, when compared to previous years, owing the fact that the receipts accumulated in the past were expected to run out during this year.
  - (c) Whilst for completeness, the estimated cost of capital and “capital type” repairs and improvements to HRA properties is included as part of the detailed HRA analysis. Apart from the £400,000 for disabled adaptations, to be undertaken in the current year, the related expenditure is not carried forward to the HRA summary. This is because it is only intended to fund £400,000 of this expenditure from the HRA.

(d) The total expenditure in the repairs account for each year is as follows:

| Year             | Responsive Repairs<br>(Revenue)<br>£000 | Non Response Maintenance<br>(Revenue)<br>£000 | Maintenance & Improvements<br>(Capital & Capital Type)<br>£000 | Total<br>£000 |
|------------------|---|---|--|---------------|
| 2008-09 Actual   | 2,220                                   | 953   | 7,437  | 8,390         |
| 2009-10 Estimate | 2,242                                   | 950   | 4,760  | 7,952         |
| 2009-10 Revised  | 2,132                                   | 982   | 4,856  | 7,970         |
| 2010-11 Estimate | 2,342                                   | 738   | 3,200  | 6,280         |

29. Payment to Government – Negative Housing Subsidy

- (a) The negative housing subsidy is a statutory payment from the HRA required when there is a surplus on an authority's notional Housing Revenue Account.
- (b) The account is notional in so far as both the figure included for rent income and that for expenditure on management and maintenance are not the actual income and expenditure of the Authority. Notional figures for these items are calculated by multiplying an amount per dwelling set by central government by the number of dwellings.
- (c) From 2004-05 any surplus on the notional account has been passed to central government
- (d) After the rents had been set for the current year the Government offered Council's the opportunity to receive compensation through the negative housing subsidy system for making a commitment to reduce the level of rent increase. South Cambridgeshire agreed to make the reduction and as a result the estimated payment to the Government in 2009-10 has been reduced by almost £700,000 with an equivalent reduction in rent income.
- (e) The Government is currently considering changing the system to one where instead of paying funds to the CLG, Councils, such as South Cambridgeshire, will be given a share of the debt of other authorities with a HRA. The impact of such a major change to the system will very much depend on the precise details of the final scheme. The earliest possible date for a change is 2011-12.
- (f) It is anticipated that in 2010-11 the net payment to the Government, based on the figures in the notional account, will be around £12 million. Only provisional figures have been provided by the CLG at present, and variation between the draft and final figures can be considerable. Details of the calculation of this estimate are shown at **Appendix E**.
- (g) Should the actual amount required be greater than the £12 million included in the draft estimates a reduction in expenditure elsewhere will be required.

30. Building Maintenance Contractor (DLO)

- (a) Where a Direct Labour Organisation (DLO) makes a surplus or a deficit this becomes due to or due from the service using the workforce in question. The Council's building maintenance DLO works almost exclusively for the HRA and, therefore, any surplus or deficit is included in the HRA estimates.
- (b) The DLO comes within the Housing Service and is, therefore, included in the HRA estimates.
- (c) In 2010-11 the DLO is expected to break-even. In the current economic climate, however, it should be recognised that there may be strong competition for the repairs contract, which is due to go out to tender (with a start date in October), and this is considered to be a risk to continuation of the "in- house" service.

31. **Housing Futures**
- (a) Whilst the revised estimate for total expenditure on the housing futures project is less than the original provision for 2009-10 the amount falling on the HRA is expected to be £31,610 more than was originally estimated.
  - (b) Only now when the actual expenditure is known and the time spent by staff on different aspects of the project identified can a split of the costs be made in line with the CLG guidance.
  - (c) Following the ballot of Tenants earlier in the year the project came to an end and there will therefore be no further expenditure on housing futures.
32. **Unallocated Recharges**  
The main unallocated recharges from the General Fund are for corporate management and democratic representation, which are partially recharged to the HRA. These recharges relate to the HRA as a whole and, therefore, it has not been felt appropriate to attempt to allocate the charge across individual services.
33. **Capital Charges – Revenue Contribution to Capital Outlay**  
As there were insufficient other resources available, the funding of some disabled adaptations from revenue has been included in the 2009-10 estimate and revised estimate.
34. **Capital Charges - Depreciation.**  
The figure included in the estimates for depreciation is considered equivalent to the Major Repairs Allowance and it is anticipated that the amount will be fully utilised to fund qualifying repairs and improvements.
35. **Income – Rent from Dwellings**  
The level of rent income included in the 2009-10 estimate was based on the recommendation of the CLG for this year. However, after the estimates were set the Government asked Councils to reduce their average rents. South Cambridgeshire complied with the request and an adjustment was made to Tenants rents in August to reflect the lower level of increase. The rent income is therefore substantially lower than in the original estimate. The impact on the HRA should, however, be broadly neutral as CLG agreed to provide compensation through the subsidy system.

## **RENTS AND OTHER CHARGES**

36. The estimates have been prepared on the assumption that most HRA charges, with the exception of the sheltered housing support charge, are increased in line with the recommendations from the CLG.
37. The supporting people team have indicated that the financial assistance for those in sheltered housing will be increased by 1%. It has, therefore, been assumed that the group alarm charge and the support element of the full sheltered housing service charge will be set in line with the 2010-11 supporting people figures.
38. Negotiations are being undertaken to move to a block grant for most of the support element of the sheltered housing service charge. It is anticipated that the move to a more targeted approach to providing sheltered housing support and this funding change could be in place by the middle of the financial year. Should this be the case, then it is proposed to substantially reduce the support element of the sheltered housing service charge to both Tenants and Leaseholder from that time.
39. The assumption, for estimate purposes, regarding the individual alarm charges is that they will be increased by 2.5%, which is figure used throughout the estimates for general inflation.

40. Comments on individual charges are given in the following paragraphs.
41. Rents
- (a) The government intends that rent setting in the social housing sector should be brought on to a common system related to relative property values, local earnings levels and the size of individual properties. The guidance on this rent restructuring scheme provides a formula by which a target rent for each property is calculated and rents are expected to move to the target level (which is increased each year) over a ten year period.
  - (b) In order to protect tenants from unacceptable annual increases, the government asked Councils to limit individual rent increase to £2 a week in excess of the annual inflationary figure set by the CLG.
  - (c) The “inflationary” figure to be applied to this year’s rent, is actually a deflationary figure of –0.9% (based on September 2009 annual retail price index change of –1.4% plus 0.5%) However, to this must be added the amount required to move towards the target rent levels and the overall increase recommended by CLG for local authority rents is 3.1%.
42. Service Charges for Tenants in Flats with Communal Areas
- Until now Tenants in flats have not been asked to pay towards the costs of running communal areas. It is proposed that for 2010-11, Tenants in blocks of flats with door entry systems are asked to pay a service charge of £2 a week with Tenants in other blocks being asked to pay £1 a week.
43. Sheltered Housing Service Charges
- (a) The best estimate available for the weekly amount of supporting people grant for sheltered housing in 2010-11 is £15.14 per week and this has therefore been assumed as the support element of the service charge. Should a block grant be agreed then a portion of the support element will not longer be payable by individuals. Tenants or Leaseholders would then only be asked to pay £3.00 a week to cover the cost of the alarm service.
  - (b) The assumption used for the sheltered housing charge for communal facilities is that this would increase by 3.1% in line with the government recommendation. This would increase the charge from £6.93 per week to £7.14 a week.
  - (c) Many of the sheltered housing units have been leased under the equity share scheme. For tenants all maintenance is covered by their rent but this is not the case with equity shareholders. Under the terms of the equity share lease, leaseholders should pay their share of the full cost of the service and maintenance and improvements to properties on their sheltered housing scheme.
  - (d) Last year Members agreed to the phasing in of full cost service charges for leaseholders and it is proposed that the non-support element is increased by a maximum of 3.1% plus £2 a week for those on schemes with common rooms and 3.1% + 70p a week for those on schemes without such facilities.
  - (e) The proposed sheltered housing charges are set out in the following table.
  - (f) Should the new working practices and the block grant arrangements be in place by the middle of the year then the lower maximum charges indicated below are proposed. These lower increases would only be applied if and when the relevant changes in working practice and the move to a block grant have been achieved



| Sheltered Housing Charges                      | Current Charge | Proposed Charge | Increase |        |
|--|----------------|-----------------|----------|--------|
|  | p.w.           | p.w.            | %        | £      |
|  | £              | £               |          |        |
| Tenants  |                |                 |          |        |
| - support element                              |                |                 |          |        |
| - for the first 6 months of the financial year | 14.99          | 15.14           | 1.0      | 0.15   |
| - for the second half of the year*             | 14.99          | 3.00            |          | -11.99 |
| - communal facilities                          | 6.93           | 7.14            | 3.1      | 0.21   |
| Equity Shareholders - <b>Maximum</b>           |                |                 |          |        |
| - schemes with communal facilities             |                |                 |          |        |
| - for the first 6 months of the financial year | 27.77          | 30.32           | 9.1      | 2.55   |
| - for the second half of the year*             | 27.77          | 18.18           |          | - 9.59 |
| - schemes without communal facilities          |                |                 |          |        |
| - for the first 6 months of the financial year | 19.54          | 20.53           | 5.1      | 0.99   |
| - for the second half of the year*             | 19.54          | 8.39            |          | -11.15 |
| * provided conditions are met                  |                |                 |          |        |

44. Alarm System Service Charges for those not on a sheltered housing scheme
- Only around 20% of the individual lifeline alarms are used by those living in Council properties and, therefore, the inflation rate of 2.5% (as used throughout the estimates for general inflation) has been applied to the lifeline charges.
  - This year is the final year of the phasing in of full charges so from 2010-11 reduced prices for those in receipt of benefit will no longer apply.
  - The charges for the group alarms hardwired into properties not on sheltered housing schemes qualify for supporting people grant and, therefore, it is proposed that they are increased in line with the indications received from the supporting people team.
  - In addition it is proposed that a one off installation charge of £18.00 is introduced
  - The proposed alarm system service charges are set out in the following table

| Alarm System Service Charges*          | Current Charge | Proposed Charge | Increase |      |
|--|----------------|-----------------|----------|------|
|  | p.w.           | p.w.            | %        | £    |
|  | £              | £               |          |      |
| Individual Alarms                      |                |                 |          |      |
| - Those not in receipt of benefit      |                |                 |          |      |
| - where the Council supplies the alarm | 3.88           | 3.98            | 2.6      | 0.10 |
| - where the user supplies the alarm    | 3.14           | 3.22            | 2.5      | 0.08 |
| - Those in receipt of benefit          |                |                 |          |      |
| - where the Council supplies the alarm | 3.54           | 3.98            | 12.4     | 0.44 |
| - where the user supplies the alarm    | 2.80           | 3.22            | 15.0     | 0.42 |
| Group Alarms                           | 3.48           | 3.51            | 0.9      | 0.03 |
| * plus VAT where appropriate           |                |                 |          |      |

45. Garage Rents
- Any increased income from garage rents is fully available to the HRA and it is proposed that all garage rents are increased by 3.1% (in line with the uplift for HRA charges recommended by the CLG).
  - As noted in the estimate reports in previous years, housing service officers have proposed that, should rent increases lead to a higher level of voids, the

opportunity will be taken to consider the sale of any underused garage areas as land for new housing. Currently around 30% of garages are void and rent increases may lead to an even higher level.

(c) The proposed garage rents are set out in the following table

| Garage Rents  | Current Rent p.w. | Proposed Rent p.w. | Increase |      |
|---|-------------------|--------------------|----------|------|
|   | £                 | £                  | %        | £    |
| Garages rented to a Council tenant or leaseholder       | 7.00              | 7.22               | 3.1      | 0.22 |
| N.B.<br>In excess of two garages will be subject to VAT |                   |                    |          |      |
| Other Garages (subject to VAT)                          | 9.67              | 9.97               | 3.1      | 0.30 |

**CAPITAL ESTIMATES:  
REVISED 2009-10 AND ESTIMATES 2010-11 TO 2014-15**

46. For the last few years Members have been informed that the current level of capital expenditure will be unsustainable from 2009-10 onwards unless additional grants and/or contributions become available or the Council makes recourse to borrowing as a funding source.
47. Wherever possible, HRA capital expenditure has been funded from capital receipts, the major repairs allowance, grants and contributions rather than from revenue. It is, permissible to pay for capital projects from the HRA, but forecasts suggest that there is unlikely to be sufficient revenue available to support capital expenditure from this source to any meaningful extent. However, sufficient funds were available enable the inclusion of a contribution from the HRA of £400,000 in the 2009-10 estimate and revised estimate to pay for capital expenditure on a backlog of disabled adaptations.
48. As housing expenditure makes up around 85% of the total programme, it was assumed for the purposes of the estimates that all of reductions required in 2009-10 would be made from the Housing Capital Programme. From 2010-11 onwards it is expected that the HRA programme (apart from the repurchase of equity share properties) will be limited to the amount that can be funded from the Major Repairs Allowance and any other grants or contributions – approximately £3.2 million.
49. The pooling of capital receipts commenced in 2004-05, meaning that most of any money received from the sale of a Council house has to be transferred to the CLG . The Government had issued guidance to the effect that, provided Councils agree to spend non right to buy (RTB) housing capital receipts on housing, these would not be subject to pooling. However, the detail of the legislation did not reflect the guidance and the Council's equity share receipts are currently subject to pooling. In order to rectify the situation, officers from the CLG agreed to amend the legislation, however, to date this has not happened.
50. The CLG have recently consulted on a complete change to the housing finance scheme including the possibility of removing the requirement to pool housing capital receipts, provided they are used for housing purposes. The CLG have now informed the Council that will be no legislative changes made before the outcome of the review.
51. The projections included in the capital estimates approved February 2009 were made on the assumption that, whilst any alteration in the pooling legislation would not apply retrospectively a change would occur by the 1<sup>st</sup> April 2010. This will not now happen and, in view of the uncertainty regarding whether there will actually be a change to

the pooling scheme and if so when it would occur, the estimates have been prepared on the assumption that the current pooling regime continues.

52. The capital programme for this portfolio is attached at **Appendix C**. The programme relates to all housing capital expenditure, both HRA and General Fund, and is comprised mainly of:
- Improvement of existing stock
  - Acquisition of existing dwellings
  - Grants to Registered Social Landlords (RSLs)
53. Comments on the individual estimate matters are given in the following paragraphs.
54. Improvement of Housing Stock
- (a) The improvement programme includes upgrades to sheltered housing communal facilities and that part of the housing repairs and improvements programme funded from the Major Repairs Allowance and capital receipts.
  - (b) Information from the recent stock condition survey has been used to identify and prioritise the work that needs to be undertaken.
  - (c) Estimated expenditure has been reduced to £3.3 million in 2010-11. This is a reduction of over £4 million in comparison to 2008-09 actual of £7.8 million
55. Acquisition of Existing Dwellings
- (a) The acquisition of existing dwellings budget is used to repurchase shared ownership properties previously sold under the Council's first time buyers, equity share for the elderly and shared ownership schemes. Whilst the leases being granted under these schemes no longer require the Council to repurchase the properties the majority of existing leases do have such a requirement.
  - (b) In the current year it is now expected that only £2 million will be needed rather than the £3 million in the original estimate for 2009-10.
  - (c) This budget is demand led and, therefore, the level of expenditure cannot be predicted with any degree accuracy. As a consequence, the Council is in a position where it could potentially have to spend substantial sums on these legally required repurchases without any budget being in place.
  - (d) There are preliminary discussions in progress with a view to setting up a scheme whereby Housing Associations would buy back the properties. Details of the proposals will be brought to the Portfolio Holder for initial consideration at a future meeting. If Members agree to this change, not only will this area of uncertainty be removed but there will also be a significant financial benefit to the capital programme as a whole.
  - (e) The capital programme has been prepared on the assumption that in future properties are bought by Housing Associations. Only £1 million has been included in the 2010-11 estimate with no budget from 2011-12 onwards.
  - (f) In the event of the Council continuing to buy back the properties then there will be a substantial shortfall in the capital programme and this would almost certainly imply reductions in expenditure on other areas of the programme.
56. Grants to RSLs
- A considerable sum is expected to be received as a consequence of Section 106 agreements in relation to developments in the area. This money is ring fenced for social housing and, unless it is spent within a defined period (normally 3 to 5 years), can be reclaimed by the developer. It is proposed that £1.25 million will be used over the next five financial years to provide partial funding for RSL projects. It is anticipated that between 50 and 250 additional properties (for which the Council would have nomination rights) could be built or renovated with this budget.

57. The prudential code requires Authorities to look at expenditure in the HRA capital programme and estimate the incremental impact of new capital investment decisions in relation to the average weekly housing rent. The first step is to forecast the HRA programme without changes. This has been done by taking the original estimate for 2009-10, uprated by the 2.5% (used for inflation throughout the Council's estimates), and comparing it to the proposed expenditure in order to establish how much additional expenditure, if any, is in the estimates. This comparison is given below:

|    | 2009-10<br>£000 | 2010-11<br>£000 | 2011-12<br>£000 | 2012-13<br>£000 | 2013-14<br>£000 | 2014-15<br>£000 |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| a) | 8.175           | 4.303           | 3.230           | 3.230           | 3,230           | 3,230           |
| b) | 8.175           | 8.380           | 8.590           | 8,805           | 9,025           | 9,250           |
| c) |                 | (4.077)         | (5,360)         | (5,575)         | (5,795)         | (6,020)         |

where a) is the total proposed HRA capital programme  
 b) is the existing programme adjusted for inflation  
 c) is the difference between a) and b) which shows that there is no increase on the existing programme.

58. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2009-10 or later that are over £25,000 in value are subject to the completion of a proposal form, for consideration alongside the capital programme being approved. Accordingly, the relevant proposal forms for this portfolio are attached at **Appendix D (1-4)**

### Implications

59. Financial:
- (a) The estimates for the General Fund Services of the Housing Portfolio will be included in the General Fund Summary of estimates along with the expenditure of other Portfolios.
  - (b) The Capital Estimates (both HRA and General Fund) for this Portfolio will be included in the Council's Capital Programme.

|                     |  |
|---------------------|--|
| 60. Legal           | There is a statutory obligation for the HRA not to be in deficit   |
| Staffing            | The considerable cut in the major repairs and improvements programme is expected to impact on staffing levels.   |
| Risk Management     | A significant reduction in repairs to homes and infrastructure, such as paths, could have safety and insurance implications for the Council.<br>The decent homes standard may not be fully maintained with the substantial reduction in funding for the HRA capital programme. |
| Equal Opportunities | There do not appear to be any equal opportunities implications   |

### Consultations

61. The relevant cost centre managers, who are responsible for setting the level of their respective budgets and controlling the expenditure within them, have been consulted in the compilation of the estimate figures.

## Effect on Strategic Aims

|     |  |   |
|-----|--|---|
| 62. | <p><b>Commitment to being a listening council, providing first class services accessible to all.</b></p> <p><b>Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.</b></p> <p><b>Commitment to making South Cambridgeshire a place in which residents can feel proud to live.</b></p> <p><b>Commitment to assisting provision for local jobs for all.</b></p> <p><b>Commitment to providing a voice for rural life.</b></p> | <p>To determine detailed Housing Portfolio budgets to provide the resources for the Council to continue its services to achieve its corporate objectives as far as possible within the current financial constraints.</p> |
|-----|--|---|

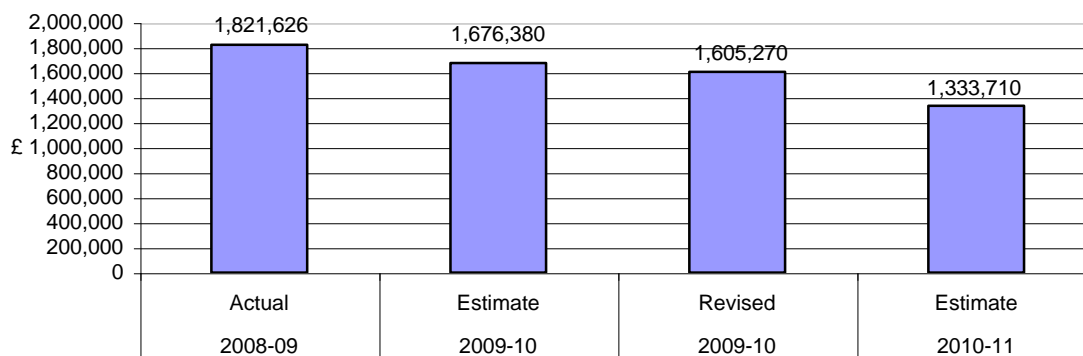
## Conclusions/Summary – Housing General Fund

63. The total net Housing General Fund expenditure as shown at **Appendix A** is reproduced below to show the percentage increase/decrease between budgets.

| Year             | Amount<br>£ | Increase/Decrease<br>£ | Increase/ Decrease<br>% |
|------------------|-------------|------------------------|-------------------------|
| 2008-09 Actual   | 1,821,626   |                        |                         |
|                  |             | - 145,246              | - 8.0                   |
| 2009-10 Estimate | 1,676,380   |                        |                         |
|                  |             | - 71,110               | - 4.2                   |
| 2009-10 Revised  | 1,605,270   |                        |                         |
|                  |             | - 271,560              | - 16.9                  |
| 2010-11 Estimate | 1,333,710   |                        |                         |

These comparisons are shown diagrammatically below:

### HOUSING GENERAL FUND



64. The reductions in expenditure are largely a result of the cessation of the housing futures project and the impact on the 2010-11 estimate of the savings targets.

65. It can be seen from the comparison of estimates of direct costs with the target in **Appendix A**, that the estimated direct costs in the 2010-11 estimates are not within the required target, owing to delays in fully realising all of the savings in the target. It is anticipated that the required level of savings will be achieved in 2011/12. The revised estimate for 2009-10 is well within the target.

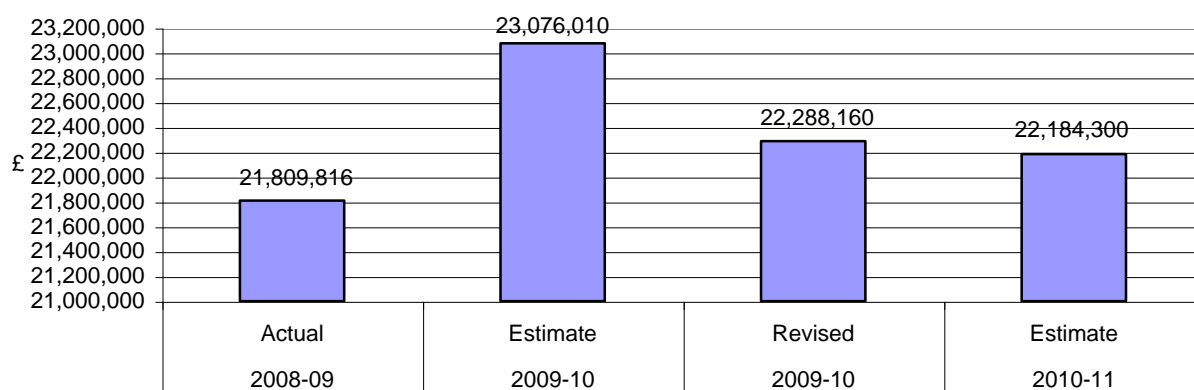
### Conclusions/Summary – Housing Revenue Account

66. The total net Housing Revenue Account expenditure as shown at **Appendix B** is reproduced below;

| Year             | Amount<br>£ | Increase/Decrease<br>£ | Increase/ Decrease<br>% |
|------------------|-------------|------------------------|-------------------------|
| 2008-09 Actual   | 21,809,816  |                        |                         |
|                  |             | + 1,266,194            | + 5.8                   |
| 2009-10 Estimate | 23,076,010  |                        |                         |
|                  |             | - 787,850              | - 3.4                   |
| 2009-10 Revised  | 22,288,160  |                        |                         |
|                  |             | - 103,860              | - 0.5                   |
| 2010-11 Estimate | 22,184,300  |                        |                         |

These comparisons are shown diagrammatically below:

#### HOUSING REVENUE ACCOUNT



67. The main reason for the increase in expenditure from 2008-09 to the 2009-10 original estimate is the increase in the payment to the government, and the impact of an under-spend on sheltered housing in 2008-09.
68. The decrease in the revised 2009-10 estimate compared with the original estimate in 2009-10 is mainly owing to a decrease in the net payment to the government. This is because compensation was put thought the subsidy system for authorities agreeing to reduce their level of rent increase and as such is offset by a reduction in rental income.
69. The decrease in predicted expenditure between the estimate for 2009-10 and the estimate for 2010-11 is mainly owing to the following factors:

- (a) the inclusion of a one off £400,000 revenue contribution to capital expenditure on disabled facilities in the 2009-10 estimate
- (b) a reduction in the contribution from the HRA to the sheltered housing service
- (c) a decrease in the net payment to government
- (d) the cessation of the housing futures project

### **Conclusions/Summary – Housing Capital Programme**

- 70. The reduction of almost £5 million when the 2008-09 actual expenditure is compared to the estimate for 2010-11, and £6 million when compared to 2011-12 and beyond, is mainly owing to the considerable reduction in funding available now that capital receipts are no longer being used to fund the housing capital programme together with a substantial reduction in expenditure on the repurchase of equity share properties.
- 71. The capital programme has been prepared on the assumption in future properties are bought by Housing Associations. Only £1 million has been included in the 2010-11 estimate with no budget from 2011-12 onwards.
- 72. In the event of the Council continuing to buy back the properties then there will be a substantial shortfall in the capital programme and this would almost certainly imply reductions in expenditure on other areas in the programme.

### **Recommendations**

- 73. The Portfolio Holder for Housing is requested to:
  - (a) confirm the proposals for capital expenditure shown at **Appendix D(1-4)**, for inclusion in the capital programme.
  - (b) endorse the Revenue Estimates and Capital Programme shown at **Appendices A, B and C** and recommend them for consideration by the Cabinet.
  - (c) request that Cabinet include £80,000, for possible additional expenditure on accommodation for homeless people, on the list of precautionary items for 2010-11

**Background Papers:** the following background papers were used in the preparation of this report:

Estimate files within Accountancy Services

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