

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder 29 January 2007
Scrutiny Panel 1 February 2007
AUTHOR/S: Chief Executive/Principal Accountant (Housing)

REVENUE AND CAPITAL ESTIMATES FOR THE HOUSING PORTFOLIO

Purpose

1. To consider the Revenue Estimates up to the year 2007-08 and the Capital Programme up to 2009-10.

Background

2. 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 and Housing Revenue Account (HRA) expenditure.
3. The Cabinet approved the Staffing and Central Overhead Estimates on 14 December 2006. 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 reflect the new corporate manager structure, in that recharges are now analysed in terms of the new services with effect from the revised estimates 2006-07 onwards, rather than in the old department structure. As these recharges have already been approved, they cannot be amended by individual portfolio holders.
4. The estimates for each portfolio are being reported to the relevant Portfolio Holder. Subsequently, it is intended that all the portfolio estimates will then be examined by a scrutiny panel consisting of the Leader of the Council, together with the Chairman and Vice-Chairman of the Scrutiny and Overview Committee and the Resources, Staffing, Information and Customer Services Portfolio Holder. The summary estimates will then be considered by the Cabinet on 8 February and finally, by the Council on the 22 February for confirmation of the estimates and levels of the Council Tax and Rents.
5. Only the Housing General Fund revenue summary (**Appendix A**), the HRA summary (**Appendix B**) together with the capital programme (**Appendix C**), have been included within the main body of the agenda to concentrate attention on the overall position. The detailed estimates will be available to the Portfolio Holder and the Scrutiny Panel and, in due course, to all Members for information.
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 General Fund estimates for the Housing Portfolio Holder include the following Services:

Loans for House Purchase
Housing Association Support
Homelessness
Lettings and Advisory Service
Floating Support Service
Shopping Car Parks
Strategic Housing
Revenue Grants

8. The HRA estimates include the following services:

Repairs Account
Administration
Sheltered Housing
Alarm Systems
Flats – Communal Areas
Outdoor Maintenance
Grounds Maintenance In-House Contractor Account
Sewage Disposal
Tenant Participation
Hostels for the Homeless
Building Maintenance In-House Contractor Account

9. Provisions for increased expenditure of 2.5% have been applied throughout the estimates for general inflation. However, additional provision was made for staff salaries and wages, to account for the rising cost of pension contributions.
10. Where applicable, the estimates of each portfolio incorporate the approved savings and additional expenditure proposals that were agreed by Council in October and November 2006. 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 “Precautionary Items”, which were reduced to just eight items last year; these 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 8 February 2007. Within this Portfolio, the only request for inclusion on the list is for £30,000, which relates to possible expenditure on homeless accommodation costs.

Considerations

HOUSING GENERAL FUND ESTIMATES: REVISED 2006-2007 AND ESTIMATES 2007-08

12. A summary of the General Fund revenue estimates for this Portfolio is 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. Compared with the 2006-07 original estimates, the net direct costs decreased by £116,020 (22.2%) in the Revised

Estimates and £68,700 (13.2%) in the 2007-08 Estimates. The reductions are mainly due to lower expenditure on Homelessness and transfers from the HRA in 2006-07 and the approved savings being more than met in 2007-08.

13. The **Appendix A** also shows a net direct costs comparison for 2007-08, between the 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 2006-07 estimates and adjusting for the approved savings, approved additional expenditure and inflation. The result is that the 2007-08 Estimate is under the target, by £18,720.
14. Comments on the individual estimate matters are given in the following paragraphs.
15. **Loans for House Purchase Repair and Improvement**
This cost centre covers the administration of the Council's remaining mortgages, the majority of which relate to the sales of HRA dwellings under the Right to Buy. New mortgages have not been given for several years so the number of outstanding loans is declining.
16. **Housing Association Support**
 - (a) In the past the cost of keeping the housing waiting list and allocating properties to applicants was accounted for in the HRA; however, it is considered to be more appropriate to account for the new Choice Based Lettings Scheme in the General Fund. Prior to the revised estimates, time spent on dealing with non-HRA lettings was reflected in allocations made by staff to the Housing Association cost centre.
 - (b) The considerable reduction in recharges when the both the 2006-07 revised estimate and the 2007-08 estimate are compared to the 2006-07 original estimate is mainly attributable to time spent on lettings no longer being allocated to Housing Association Support.
17. **Homelessness**
 - (a) £32,000 was included in the original estimate for 2006-07 to allow for expenditure on an additional post approved after the staffing estimates had been agreed. The expenditure on this post is now included in the recharges and the £32,000 has, therefore, been taken off the "net direct costs" shown in **Appendix A** for comparison purposes.
 - (b) 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 net saving in excess of £100,000 has been made when the revised estimate for accommodation is compared to the original estimate for 2006-07. The 2007-08 estimate for accommodation includes the whole of the £60,000 saving identified during the Medium Term Financial Strategy process.
 - (c) In addition to the savings on accommodation there has been a reduction in recharges to this cost centre.
 - (d) In view of the difficulty in accurately estimating the demand for accommodation, it is requested that £30,000 be included on the list of precautionary items for possible additional expenditure on temporary accommodation. This is £10,000 less than the £40,000 requested for this purpose in 2006-07. To date, none of the £40,000 has been utilised.
18. **Lettings and Advisory Service**
 - (a) With the introduction of the Choice Based Letting Scheme the cost centre for the Advisory Service been extended to cover lettings.
 - (b) The increase in net estimated expenditure on this cost centre has been counteracted by the reduction in the estimated expenditure on Housing

Association Support where officers previously allocated the time spent on non-HRA lettings.

- (c) Applicants on the Council's housing waiting list can be offered HRA properties or those belonging to other Social Landlords and a recharge to the HRA is to be calculated based on the portion of HRA lettings relative to the total lettings.
 - (d) An adjustment for the anticipated recharge to the HRA has therefore been made to the "direct costs in the Revised Estimate 2006-07 and Estimate 2007-08" shown in **Appendix A** for comparison purposes.
19. Floating Support Service
This service was established in 2002-03 to provide support for vulnerable people, such as those with mental health problems or a physical disability, irrespective of whether they are living in a property leased by the Council from King Street, a hostel or general needs council housing. The service is mainly funded from the Supporting People Pot. The HRA is recharged for a proportion of the net cost of the service pro rata to the number of HRA tenants using the service.
20. Shopping Car Parks
Negotiations are underway to sell/lease three of the shopping car parks and it is expected that the potential saving of £11,500 identified in the Medium Term Financial Strategy will be achieved 2007-08.
21. Grants
These are revenue grants to assist with the running costs of various organisations providing housing related services, such as the provision of housing for the victims of domestic violence.
22. 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) Provision has been made in the draft estimates for £368,150 to be charged to the General Fund in 2007-08.
 - (c) 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 many of the homes benefiting from the service are in private ownership as a result of Right to Buy sales
 - (d) A potential saving of £30,000 was indicated in the Medium Term Financial Strategy report in relation to a reduction in the sheltered housing element of the recharge and this is expected to be achieved.
23. Recharge from Housing Benefits Holding Account
- (a) Overall, the Benefits Holding Account net administration costs have reduced owing to a combination of higher government administration grant and lower recharges. These net administration costs are allocated to Council Tax Benefits, Rent Rebates and Rent Allowances according to a weighted caseload formula.
 - (b) Rent Rebates has a level caseload and therefore gains appreciably from the reduction in administration costs. Consequentially, the 2007-08 draft estimate for the recharge is less than half of the 2006-07 original estimate.

- (c) Rent Allowance cases are, however, increasing steadily every year and, as a result, the increased share of the total administration costs offsets any reduction.
24. Recharges from Staffing and Overhead Accounts - Central, Departmental and Support Services (see estimates report to Cabinet 14 December 2006):
- (a) The estimated recharges from Staffing and Overhead Accounts to the Housing General Fund increased by £39,550 (4.6%) from £859,400 in the original 2006-07 estimate to £898,950 in the 2007-08 estimate. This increase can be more than accounted for by the changes brought about with the introduction of the Choice Based Lettings Scheme. The 2006-07 revised estimate of £857,260 is £2,140 (0.2%) lower than the original estimate. This 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, administrative buildings (mainly Camborne Offices), Central Expenses and Central Support Services. Over the whole Council, these costs to be recharged have reduced from £16.8m in the original estimates 2006-07 to £15.9m in the revised estimates 2006-07 and £16.6m in the estimates 2007-08. These are reductions of £0.9m (5.4%) and £0.2m (1.2%) respectively. The biggest factor in these reduced recharges in both years was the change in the application of capital charges (which in fact has no effect on Council Tax). Without this change, the recharges would have increased in 2007-08, mainly due to the salary costs of individual officers increasing by 4.6% (pay award and pension costs) and a further 3.4% if a salary increment applies.
 - (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.
 - (d) The change in the way that the maintenance of the waiting list and allocations are dealt with, following the introduction of the Choice Based Lettings Scheme, has led to an increase in the estimates of time to the Housing General Fund and resulted in an increase in recharges in 2007-08. However, a considerable portion of the cost of the letting service is then recharged to the HRA.

HOUSING REVENUE ACCOUNT ESTIMATES: REVISED 2006-2007 AND ESTIMATES 2007-08

25. A summary of the HRA estimates is shown at **Appendix B**. The deficit/(surplus) 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.
26. Comments on the HRA estimates are given in the following paragraphs.
27. 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.
28. 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 have been introduced. These changes involved considerable redundancy costs and a provision for most of these (£350,000) was made in the 2006-07 original estimate. In the event, all of the re-organisational redundancy costs were accounted for in 2005-06 and, as a consequence, there is significant reduction in the revised estimate when compared to the original estimate for 2006-07.
 - (c) The estimate for 2007-08 fully reflects the impact of the changes in the way that the sheltered housing is provided following the review, and shows a fall of over £300,000 in the level of subsidy from tenants in general for this service.
 - (d) Within the last few days the supporting people team have indicated that they would like to review the support contract for this service and this could potentially have an adverse impact on the financial situation.
29. Support Services – Outdoor Maintenance
- The 2007-08 estimate of outdoor maintenance expenditure to the HRA has reduced by £46,250 (27%) when the compared to the 2006-07 original estimate. The two main reasons for this are outlined in the following paragraphs
- (a) A recent housing services reorganisation has resulted in a reduction in recharges to the outdoor maintenance cost centre.
 - (b) For many years the staff, who mostly work on the Awarded Water Course service have spent a considerable portion of their time working for the grounds maintenance In house contractor, and, therefore, part of their salaries have been charged to the service. These members of staff are no longer working for the HRA, and, as a result, there is a reduction in the estimate of grounds maintenance salaries.
30. Hostels for the Homeless
- (a) The 2007-08 estimate for this service has been compiled on the assumption that the agency agreement with Hereward Housing Association for the management of the hostels will continue on a substantially similar basis to that in the original contract.
 - (b) The new agreement is still in the process of negotiation; however, Hereward have indicated that they are unlikely to be able to provide the service unless the Council is either prepared to increase the agency payment or to permit an above inflationary increase in the weekly charge Hereward makes to its tenants.
 - (c) The Government expect Councils to move to a situation where the full cost of any HRA service is paid by the user rather than by tenants in general. It would therefore be inappropriate to increase the subsidy from the HRA for this hostel service and with the financial pressures on the General Fund it is unlikely that additional funding would be available from this source.
 - (d) In order to cover the costs of the service Hereward would like to increase the charges to their tenants by £11.06 per week (an average of around 14%)
31. 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) and capital receipts will be used to fund repairs where possible, thus minimising the need for a contribution from the HRA to the account.
 - (b) 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 the related expenditure is not carried forward to the

HRA summary. This is because, as indicated above, there is no intention to fund any of this expenditure from the HRA.

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

Year	Responsive Repairs (Revenue) £000	Non Response Maintenance (Revenue) £000	Maintenance & Improvements (Capital) £000	Total £000
2005/06 Actual	1,966	789	6,439	9,194
2006/07 Estimate	1,877	859	6,417	9,153
2006/07 Revised	2,067	669	6,438	9,174
2007/08 Estimate	1,868	868	6,418	9,154

32. Transfer to National Pool – Negative Housing Subsidy
- 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.
 - 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.
 - From 2004-05 any surplus on the notional account has been passed to central government to be redistributed to other authorities for housing purposes (in previous years it was transferred to the General Fund rather than lost to the Authority).
 - For 2007-08 the Department of Communities and Local Government (DCLG) is recommending that, not only are individual rent increases limited to 4.1% plus £2 a week, but that, in addition, authorities further cap the average increase at 5%. Authorities will receive some compensation should they comply with the request and an allowance for this has been included in the payment figure in the draft estimates.
 - It is anticipated that in 2007-08 the net payment to the government, based on the figures in the notional account, will be around £10.1 million. The calculation of the estimated transfer for 2007-08 is shown at **Appendix D**.
33. Building Maintenance Contractor (DLO)
- 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.
 - The "DLO" now comes within the Housing Service and a holding account has, therefore, been included in the detailed HRA estimates.
 - Following the review of the DLO and the implementation of various operational and management improvements contained in the agreed action plan, it is now anticipated that the DLO is on course to breakeven this year and make a small surplus in 2007-08.
 - The report "The DLO a Working Business Plan" presented to Cabinet on 11 January outlined in more detail the progress of the recovery plan. At that Cabinet meeting, Members agreed the level of allocated works proposed in the report (£1,040,000).
34. 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.

35. Capital Charges – Cost of Capital
- (a) With the intention of reflecting the cost of public sector capital tied up in council housing and other HRA assets, there was a requirement to make a charge to the HRA and £17 million is included in the 2006-07 original estimates for this.
 - (b) There is no longer a requirement to make a cost of capital charge and no such charge has been included in either the revised estimate or the 2007-08 estimate.
 - (c) The £17 million included in the 2006-07 original estimate of the net cost of services is only a notional charge and is, therefore, reversed out before arriving at the surplus or deficit for the year.

36. Capital Charges - Depreciation.
The figure included in the estimates for depreciation is equivalent to the Major Repairs Allowance and it is anticipated that the amount will be fully utilised to fund qualifying repairs and improvements.

RENTS AND OTHER CHARGES

37. 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 DCLG.
38. The supporting people team have notified the Council that the financial assistance for those in sheltered housing can be increased by 2.5% and this level of uplift has, therefore, been assumed for the proposed group alarm charge and the support element of the sheltered housing service charge.
39. The assumption, for estimate purposes, regarding the individual alarm charges is that they will be increased by 2.5%, which is the 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 onto 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 DCLG.
 - (c) For both 2006-07 and 2007-08, the DCLG has also requested that the average rent increase should be no more than 5%.
 - (d) The government will provide financial compensation, through the subsidy system, to authorities that comply with the caps. Consequentially, it has been assumed that South Cambridgeshire will set its rents in line with the Rent Restructuring Guidance and also apply the 5% limit.
 - (e) The inflationary figure to be applied to this year's rent, in line with the government's guidance is 4.1% (based on September 2006 annual Retail

Price Index increase of 3.6% plus 0.5%). To this must be added the amount required to move towards the target rent levels over the remaining five years of the transitional period of the Scheme.

- (f) It is estimated the 5% limit can be adhered to by applying a maximum change of 0.65p, on top of the 4.1% for inflation, making the average rent for 2007-08 £68.80.

42. Sheltered Housing Service Charges

- (a) The best estimate available for the weekly amount of Supporting People Grant for sheltered housing in 2007-08 is £14.48 per week (an increase of 2.5%). It is therefore suggested that this is adopted as the full charge for the support element of the service charge.
- (b) Members agreed to a transitional scheme for sheltered housing support charges. Under these transitional arrangements, those not on benefit and in residence before the start of the Supporting People Regime are currently paying a reduced charge of £11.04 £3.09 less than the full charge of £14.13. This reduction is being phased out over a four year period which started in 2005-06 and, on this basis, the reduced charge for 2007-08 would be £12.37, a saving of £2.11 in comparison to the proposed full support charge of £14.48.
- (c) The assumption used for the sheltered housing charge for communal facilities is that this would increase by 4.1% in line with the government recommendation. This would increase the charge from £6.04 per week to £6.29 a week.
- (d) 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. Therefore, for the charges made to tenants and shareholders to be equitable the charge for shareholders should be greater than that made to tenants.
- (e) In addition to the support and communal facilities charges for sheltered housing equity shareholders also pay £3.50 per week (in relation to items included in the rent for tenants such as external maintenance).
- (f) The proposed sheltered housing charges are set out in the following table.

Sheltered Housing Charges	Current Charge	Proposed Charge	Increase	
	p.w.	p.w.	%	£
	£	£		
Tenants				
- support element				
- those in residence prior to 01/04/03	11.04	12.37	12.0	1.33
- other tenants	14.13	14.48	2.5	0.35
- communal facilities	6.04	6.29	4.1	0.25
Equity Shareholders				
- schemes with communal facilities				
- those in residence prior to 01/04/03	20.58	22.16	7.7	1.58
- other shareholders	23.67	24.27	2.5	0.60
- schemes without communal facilities				
- those in residence prior to 01/04/03	14.54	15.87	9.3	1.33
- other shareholders	17.63	17.98	2.0	0.35

43. Alarm System Service Charges for those not on a sheltered housing scheme

- (a) 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 full lifeline charges. .

- (b) At present there are reduced charges for those in receipt of benefit, which were introduced some years ago because the charges for lifelines are not eligible for benefit. Two years ago it was agreed that these lower charges would be phased out over a four-year period. However, as part of a General Fund savings exercise the Council agreed that the reduced charges would be abolished from 2006-07. In the event, the Council revisited the earlier decision and did not abolish the reduced charges. Whilst, for 2006-07 only an increase of 2.5% was applied, the proposed charges have been calculated on the basis that the reduced charges continue to be phased out.
- (c) At present, as it is intended that the alarm service breaks even, those users paying the full charge are effectively subsidising those paying the reduced charge. The phasing out of the reduced charge will, therefore, all things being equal, allow the Council to set the full charge a lower level in future years.
- (d) 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 by 2.5% (to £3.36 per week) in line with the indications received from the supporting people team.
- (e) 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	3.28	3.36	2.5	0.08
- Those not in receipt of benefit				
- where the Council supplies the alarm	3.61	3.70	2.5	0.09
- where the user supplies the alarm	2.92	2.99	2.5	0.07
- Those in receipt of benefit				
- where the Council supplies the alarm	2.30	2.70	17.4	0.40
- where the user supplies the alarm	1.63	2.00	22.7	0.37
Group Alarms	3.28	3.36	2.5	0.08

* plus VAT where appropriate

44. Garage Rents

- (a) Any increased income from garage rents is fully available to the HRA and it is proposed that all garage rents are increased by 4.1% (in line with the uplift for HRA charges recommended by the DCLG).
- (b) As noted in the estimate report last year (and also in the previous year), 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	Proposed Rents	Increase	
	p.w.	p.w.	%	£
	£	£		
Garages rented to a Council tenant or leaseholder	6.11	6.36	4.1	0.25
N.B. In excess of two garages will be subject to VAT				
Other Garages (subject to VAT)	8.43	8.78	4.1	0.35

**CAPITAL ESTIMATES:
REVISED 2006-07 AND ESTIMATES 2007-08 TO 2009-10**

45. Appendix 4 to the report on the Medium Term Financial Strategy presented to Cabinet on 9 November 2006 illustrated the projected Capital Programme if expenditure continued at the existing level whilst taking account of “growth bids” for 2007-08 and beyond. The projected reduction in the programme that will be needed, unless additional grants and/or contributions become available or the Council makes recourse to borrowing as a funding source, was highlighted in this Appendix where it was indicated that there could be insufficient funds from 2009-10 and beyond.
46. In the past the government provided financial support for housing capital expenditure in the form of an allowance (for interest payments to fund borrowing) within the calculation of the negative housing subsidy. From 2006-07 the support is to be in the form of a capital grant and £356,220 has been received for this year. It has been assumed, for the purposes of the estimates, that the level of housing grant will reduce in future years. However, additional funds could potentially be available from this source, in the event of South Cambridgeshire being allocated a larger share of the Regional Pot.
47. Wherever possible, HRA capital expenditure is funded from capital receipts, the major repairs allowance, grants and contributions rather than from revenue. Whilst it is permissible to pay for capital projects from the HRA, the forecasts shown at in the report presented to Cabinet on 14 December 2006 on the HRA – A Forward Look suggested that there is unlikely to be sufficient revenue available to support capital expenditure from this source.
48. The information obtained so far from the Stock Condition Survey appears to indicate that expenditure at around the current level will be needed if the Council is to maintain the decent homes standard for all its stock, keep the infrastructure in a safe condition and continue to undertake disabled adaptations.
49. Whilst there may be some scope to reduce HRA capital expenditure, it is unlikely that a level of expenditure that maintains the decent homes standard and achieves health and safety requirements for the infrastructure and housing stock, can be funded from the sources currently used.
50. Although it is still anticipated that there may be a significant funding shortfall in the final year of the proposed overall capital programme, no attempt to identify where reductions could/should be made has been attempted at this time. The Portfolio Holder should, however, be aware that, as housing expenditure makes up around 85% of the total programme, in the event of an expenditure cut being required in

2009-10, most of the saving is likely to have to be made from the housing capital programme.

51. The pooling of capital receipts commenced in 2004-05. The Government had issued guidance to the effect that, provided Councils agree to spend non 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. Whilst, in order to rectify the situation, officers from the DCLG have agreed to amend the legislation, to date this has not happened.
52. The projections used as part of the Medium Term Financial Strategy and the HRA Forward Look reports to Cabinet were made on the assumption that, whilst any alteration in the pooling legislation would not apply retrospectively a change would occur by the 1st April 2007.
53. 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:
 - The Council's own new build programme
 - Improvement of existing stock
 - Acquisition of existing dwellings
 - Cash incentive grants
 - Grants to Registered Social Landlords (RSLs)
54. Comments on the individual estimate matters are given in the following paragraphs.
55. **New Build**
£17,000 was rolled over from 2005-06 in relation to work on the Meldreth communal facility, which could not be finished owing to problems with the installation of services. The work on this new facility is now substantially complete and no further new build projects have been planned.
56. **Improvement of Housing Stock**
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. A new stock condition survey is currently in progress and information from this will be used to identify and prioritise the work that needs to be undertaken. In future, it is anticipated that in order to achieve and maintain the government's "decent homes standard" most of the available resources will be needed to fund improvements at the expense of any new build initiatives.
57. **Acquisition of Existing Dwellings**
The acquisition of existing dwellings budget is mainly used to repurchase shared ownership properties previously sold under the Council's First Time Buyers, Equity Share for the Elderly and Shared Ownership Schemes. In the current year it is now expected that £200,000 will be needed in addition to the £3 million in the original estimate for 2006-07. £3 million has been included for each of the future years covered by the programme. However, the Portfolio Holder should note that the level of expenditure on such repurchases is difficult to predict with any degree of accuracy.

58. Cash Incentive Grants
- (a) Cash Incentive Grants are made to tenants to assist them to purchase property in the private sector under the Cash Incentive Scheme. The number of applications for these grants has diminished over the last few years, as, even with the help of a Cash Incentive Grant, purchasing a private property in this area is now beyond the means of the majority of tenants.
 - (b) £120,000 has been vired from the housing capital programme to increase the funding available for Mandatory Disabled Facilities Grants (which come within the Environmental Health Portfolio). The majority of this amount (£116,000) came from this budget. At present there is an application being processed and £34,000 has been left in the budget to allow this to go ahead.

59. 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 will be 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 £1.5 million will be used to provide partial funding for RSL projects. It is anticipated that between 30 and 150 additional properties (for which the Council would have nomination rights) could be built or renovated with this budget.

60. The Prudential Code requires that the ratio of HRA capital financing costs to the HRA net revenue stream is calculated in order to assess the affordability of the proposed HRA capital expenditure. However, as stated earlier it is not intended that any capital expenditure in the capital programme will be funded from the HRA; consequently, there is no ratio to calculate.

61. The Prudential Code also 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 rents. The first step is to forecast the HRA programme without changes. This has been done by taking the original estimate for 2006-07, 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:

	2006/07 Estimate £000	2007/08 Estimate £000	2008/09 Estimate £000	2009/10 Estimate £000
a)	10,459	10,309	10,405	10,428
b)	10,459	10,720	10,988	11,263
c)		(411)	(583)	(835)

- 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.

62. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2007-08 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 E (1-10)** This good practice will be

particularly relevant in 2009-10 when schemes will have to be prioritised and ranked for inclusion in the capital programme.

Implications

63. 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.
- (c) **It appears that (unless some new source of income becomes available or the Council resorts to borrowing) there may not be sufficient funds available to support the level of housing capital expenditure proposed for 2009-10.**

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

Consultations

65. 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 Annual Priorities and Corporate Objectives

66. Affordable Homes	<p>To determine detailed Housing Service budgets to provide the resources for the Council to continue and improve its Housing Revenue and Housing General Fund services to achieve the Housing Revenue Account Business Plan and corporate objectives as far as possible within the current financial constraints.</p>
Customer Service	
Northstowe and other growth areas	
Quality, Accessible Services	
Village Life	
Sustainability	
Partnership	

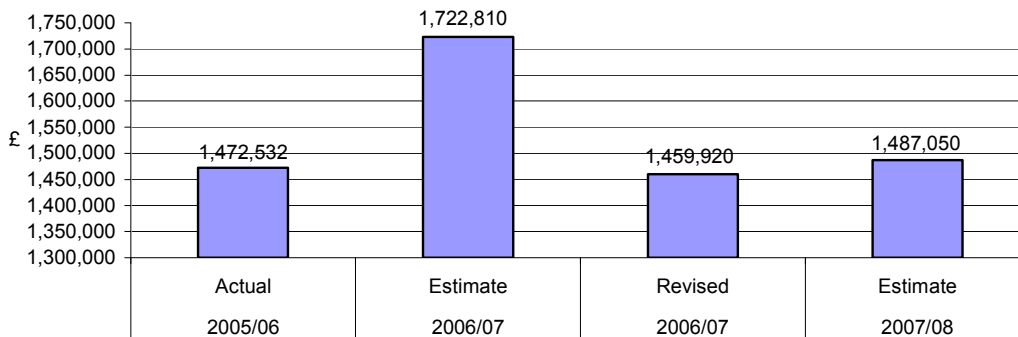
Conclusions/Summary – Housing General Fund

67. 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 £	£	Increase %
2005-06 Actual	1,472,532		
		+ 250,278	+ 17.0%
2006-07 Estimate	1,722,810		
		- 262,890	- 15.3%
2006-07 Revised	1,459,920		
		-235,760	-13.7%
		+ 27,130	+ 1.9%
2007-08 Estimate	1,487,050		

These comparisons are shown diagrammatically below:

HOUSING GENERAL FUND



68. The increase in expenditure from 2005-06 to the 2006-07 original estimate of £250,278 is owing to increased recharges from the housing benefits holding account and staffing and overhead accounts.
69. The reduction of £262,890 in the revised estimate compared with the original estimate in 2006-07 is mainly attributable to savings on temporary accommodation costs.
70. It can be seen from the comparison of estimates of direct costs with the savings target in **Appendix A**, that the estimated direct costs in the 2007-08 estimates are within the required target after applying the approved savings; similarly, the revised estimate for 2006-07 is also within the original estimate.

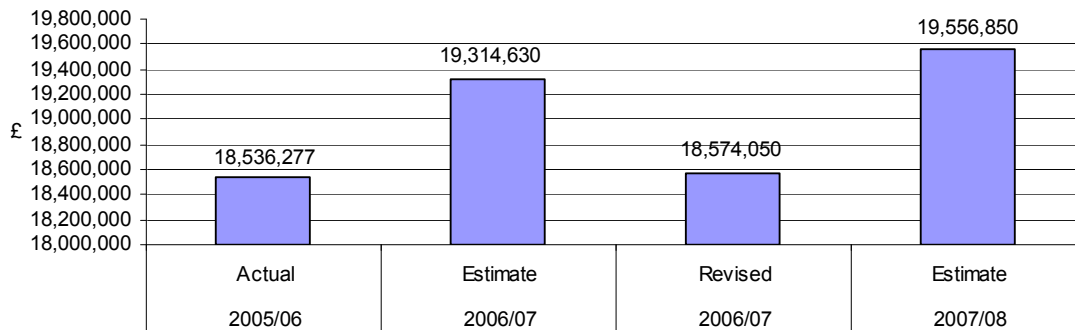
Conclusions/Summary – Housing Revenue Account

71. The total net Housing Revenue Account expenditure as shown at **Appendix B** is reproduced below; to show the percentage increase/decrease between budgets in a more meaningful way the notional cost of capital charges have been excluded from the expenditure.

Year	Amount £	Increase/Decrease £	Increase/ Decrease %
2005-06 Actual	18,536,277		
		+ 778,353	+ 4.2%
2006-07 Estimate	19,314,630		
		- 740,580	- 3.8%
2006-07 Revised	18,574,050	+242,220	+1.2%
		+ 982,800	+ 5.3%
2007-08 Estimate	19,556,850		

These comparisons are shown diagrammatically below:

HOUSING REVENUE ACCOUNT



72. The increase in expenditure from 2005-06 to the 2006-07 original estimate of £778,353 is more than accounted for by the increase in the negative subsidy transfer to the national pool.
73. The reduction of £740,580 in the revised 2006-07 estimate compared with the original estimate in 2006-07 is mainly attributable to the redundancy costs for sheltered housing staff having been accounted for in 2005/06, a reduction in the negative subsidy transfer to the national pool and savings in recharges (following corporate changes and various re-organisational reviews of the housing service).
74. The increase of £982,800 in predicted expenditure between the revised estimate for 2006/07 and the estimate for 2007/08 is mainly owing to a substantial increase (of £900,000) in the estimated net negative subsidy payment to the national pool.

Recommendations

75. The Portfolio Holder for Housing is requested to:
- (a) confirm the proposals for capital expenditure shown at **Appendix E(1-10)**, 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 £30,000, for possible additional expenditure on accommodation for homeless people, on the list of precautionary items
76. The Scrutiny Panel is requested to review the Revenue and Capital Estimates of the Housing Portfolio, before consideration by the Cabinet.

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

Medium Term Financial Strategy to 2011 - Item 5 of 9 November 2006 Cabinet Agenda
HRA – A Forward Look, 2007/08 to 2011/12 - Item 20 of 14 December 2006 Cabinet Agenda
Estimate files within the Accountancy Division of the Finance and Resources Department.
HRA Business Plan 2004/05 to 2008/09 - June 2004
The DLO a Working Business Plan – Item 6 of 11 January 2007 Cabinet Agenda

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