

6. Provisions for increased expenditure of 2.5% have been applied throughout the estimates for inflation.
7. Where applicable, the estimates of each portfolio incorporate the direct costs of both the non-recurring Continuous Improvement Plan (CIP) bids approved at the Cabinet meeting on 8th January and the recurring ones agreed by the special Cabinet meeting on 29th January.
8. 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 HRA estimates are considered separately.

Appendices A (HRA Summary), **B** (Housing General Fund Summary) and **C** (Capital Programme) only have been included within the main body of the agenda to concentrate attention on the overall position. The detailed estimates are included as a separate document, which is being sent to Members for information.

HRA

9. The HRA estimates include the following services:

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

General Fund

10. The General Fund estimates for the Housing Portfolio Holder form part of the overall considerations for the Council’s annual budget setting exercise and include the following services:

- Improvement Grants
- Home Improvement Agency
- Loans for House Purchase
- Housing Association Support
- Homelessness
- Housing Advisory Service
- Floating Support Service
- Miscellaneous (including revenue grants)

11. On 8th January, the Cabinet called for permanent savings to be made from the General Fund, starting from the 2004-05 estimates. Following discussions at the Portfolio meeting on 14th January, it was agreed that the possibility of disposing of, leasing out, or imposing charges for the use of, the Shopping Car Parks would be investigated by the Head of Shire Homes. Increasing the recoverable portion of improvement grants would be examined by the Head of Housing Strategic Services in conjunction with the Head of Community Services. Whilst, therefore, savings may be achievable in the longer term, the reductions agreed by the Cabinet on 29th January do not include any arising from this portfolio.
12. The estimates exclude the special list of 2004-05 General Fund Precautionary Items reported to Cabinet on 8th January 2004. £60,000 was included on this special list for additional expenditure on Bed and Breakfast accommodation.

Considerations

HOUSING REVENUE ACCOUNT ESTIMATES: REVISED 2003-2004 AND ESTIMATES 2004-2005

13. A summary of the HRA estimates is shown at **Appendix A** and comments are given in the following paragraphs.

Administration

14. 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 departmental recharges.

Sheltered Housing

15. This expenditure relates to the running of the Council's sheltered housing schemes and the main item of expenditure within this budget is the wardens' salaries, which along with other salary estimates has increased considerably following the Price Waterhouse Review.
16. For the purposes of the estimates a 2.5% increase in all charges has been assumed.

Outdoor Maintenance

17. The estimate for 2003-04 included £57,000 as a budgetary provision for the payment of a commuted sum which the County Council will require before they are prepared to adopt the roads in question. In view of the extent of the work that needs to be done before any of these roads can be passed over to the County, this sum has been taken out of the current estimate as it is unlikely to be required before 2005-06.

Tenant Participation

18. A tenant participation officer is now in post and items have been added to this relatively new cost centre bringing together expenditure previously included under other headings in the 2003-04 original estimates. A review of the internal decoration scheme for the elderly is to be carried out in conjunction with tenants and the revised scheme will, from 2004-05, be included in the tenant participation budget. A stock options appraisal is to be carried out next financial year and £32,000 is in the 2004-05 estimate for this purpose.

Hostels

19. From the 1st April 2002 the day-to-day management of the Council's homeless hostels was been contracted out to the Hereward Housing Association. As part of the contract, Hereward is responsible for minor repairs and equipment replacement at the Council's three hostels.

Rent Rebates

20. All rent rebates expenditure will be moved from the HRA to the General Fund in 2004-05 and, therefore, this item of expenditure will not longer form part of the HRA estimates.

Repairs

21. The repairs account was set up in 2001-02 as part of the changes introduced with resource accounting to 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.

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

Year	Planned £	Response £	Demand Led £	Total £
2002-03 Actual	6,711,650	2,926,596	523,804	10,162,050
2003-04 Estimate	6,210,000	2,663,500	652,000	9,525,500
2003-04 Adjusted	5,910,000	2,663,500	652,000	9,225,500
2003-04 Revised	5,939,000	2,671,000	692,000	9,302,000
2004-05 Estimate	5,885,000	2,634,000	718,000	9,237,000

22. Last July Members approved various adjustments to the Capital Programme. This adjusted estimate included a reduction of £300,000 for planned maintenance to reflect the fact that more full refurbishment work than was anticipated had been carried out in 2002-03.
23. There is very little difference between the adjusted estimate 2003-04, revised estimate 2003-04 and the 2004-05 estimate figures for either planned or response maintenance. The increase of 10% between the adjusted estimate for 2003-04 and the 2004-05 estimate for demand led works is mainly owing to the demand for disabled adaptations and in particular the increasing number of requests for level access showers.

Negative Housing Subsidy/Transfer to National Pool

24. The negative housing subsidy is a statutory transfer from the HRA required when there is a surplus on an authority's notional Housing Revenue Account.

25. 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.
26. 2003-04 is the final year in which a transfer for negative subsidy will be made to the General Fund. From 2004-05 any surplus on the notional account will be passed to a central pool.
27. As indicated above from the 1st of April 2004, rent rebates are to be transferred to the General Fund and will no longer form part of the notional account. Whilst, therefore, there will be no expenditure on rent rebates in the HRA, because the notional account no longer includes this item of expenditure, the payment to the pool will be broadly equivalent to the rent rebate expenditure and the former negative subsidy transfer to the General Fund.
28. The basis on which the Government calculates the allowances for management and maintenance that form part of the notional account has been changed for 2004-05 to take account of additional factors such as crime rates and the relative cost of building works in the area. As a consequence, in 2004-05 both of these allowances have been increased by well in excess of inflation. Higher allowances are being phased in; therefore, an above inflationary increase is also expected for 2005-06. Effectively, this benefits the Authority in the form of a lower transfer to the pool than would otherwise have been the case.
29. The calculation of the estimated negative housing subsidy transfer for 2004-05 is shown at **Appendix D**.

Provision for Unanticipated Expenditure

30. The amount included as a provision has been increased considerably. The 2004-05 provision, in addition to a sum for unanticipated expenditure, encompasses the £51,000 HRA precautionary CIP bid for additional staff and an amount in relation to the request from the Supporting People Team for this Council's HRA to return some of their grant. This request has been made in order to allow the Team to be in a position to give financial assistance to new projects in the future.

Corporate Management and Other Charges – Apportioned to the HRA

31. The estimates for corporate management, democratic representation, best value and treasury management expenditure are all partially recharged to the HRA. In addition, an apportionment in relation to the anticipated unallocated expenditure arising from the corporate 2004-05 CIP bids has been included in the estimates.
32. The unallocated amount included in the 2003-04 original estimate for recruitment and retention now forms part of the various departmental recharges made to the HRA. However, the 2003-04 costs in relation to the Cambourne office have not been allocated and 30% of the expected costs have been charged to the HRA in the revised estimate.

Capital Charges – Interest

33. With the intention of reflecting the cost of public sector capital tied up in council housing and other HRA assets, the Office of the Deputy Prime Minister (ODPM) expects a capital asset charge to be included in the cost of HRA services.

34. The majority of the charge is made up of a percentage (decided by the ODPM) of the estimated open market value of the Council's housing discounted by 43%. The market value is discounted to recognise the existing use of the properties for social housing. In both 2003-04 and 2004-05 the appropriate percentage, to be applied to the discounted market value, is 3.5%. In 2002-03 the rate was 6%, consequently, there has been a considerable decrease in the amount for this capital charge included in the 2003-04 and 2004-05 estimates when compared to the 2002-03 figure.
35. Whilst the charge is included in the net cost of services, it is only a notional charge and is reversed out before arriving at the surplus or deficit for the year.

Capital Charges – Depreciation

36. The figure included in estimates for depreciation is equivalent to the Major Repairs Allowance. CIPFA (Chartered Institute of Finance and Accountancy) has advised that the Government's proposal for this accounting treatment of the charge is acceptable and it is anticipated that this amount will be fully utilised to fund qualifying repairs and improvements.

DLO – Deficit

37. Where a DLO (Direct Labour Organisation) or DSO (Direct Service Organisation) 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 deficit falls as a charge on HRA. Unfortunately, the DLO appears likely to incur a deficit in the current year and a figure of £200,000 has been included in the revised estimates to provide for this possibility. The Commercial Director does not anticipate that there will be any need to make a provision in relation to the grounds maintenance DSO, which is also employed by the HRA.

Rents

38. Members need to decide to what extent a rent increase, if any, is necessary for the 2004-05 financial year. As part of this exercise, Members must have regard to the amount they feel tenants could reasonably be expected to pay and balance this against the need to incur expenditure on the management, repair and improvement of the Council's housing stock, the rents the Government expects the tenants to pay and the possibility of suffering financial penalty.
39. At present the Government does not provide any direct financial support for the rent rebates claimed by tenants. When rent rebates are moved from the HRA to the General Fund in next financial year, the Government will be subsidising these payments and will impose a financial penalty on the HRA if the Council rents are set above their guideline rent limitation figure.
40. At the Cabinet meeting held on 29th November 2001, Members approved the restructuring of the way on which rents are to be charged in line with the Government's guidance. 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 and the guidance provides a formula by which a target rent for each property is calculated. The target rents arrived at by using the national formula are, in the majority of cases, in excess of those currently charged.

41. In order to move individual rents towards the target, an increase (or decrease), as a financial amount, rather than a percentage needs to be applied each year. The draft estimates have been prepared on the provisional assumption that there is no increase in rents other than a variation of up to £0.50 a week in relation to the phasing in of the new basis for rent setting.
42. For tenants whose rents are moving downwards direction, Members are free to apply a differential variation to such rents. So for instance rents could be moved by say £2.00 a week towards the target figure in the case of a decreasing rent, and say £1.00 in the case of an increasing rent. Whilst this is an option, it has not been evaluated in this report and a continuation of the existing approach has been assumed.
43. If Members agree to the expenditure as presented in the draft estimates, then, in 2004-05, expenditure will exceed income by £1.7 million, resulting in an estimated surplus at March 2005 of just under £1 million. It must be emphasised, however, that the true underlying deficit is the £1.7 million and only by utilising part of the £2.7 million opening balance has the full financial effect been masked. Members should be aware that if the rents for 2005-06 are to be kept at around the Government guideline rent level then, all things being equal, it is anticipated that a reduction in operational revenue expenditure of around £1,000,000 will be required in that year.
44. Legislation has now been passed to permit rent rebates to be paid from the General Fund and the implementation of this change is set to occur next financial year. During the early years of the major planned improvement programme, above inflationary increases in Council rents were agreed in order to fund the initiative and, consequently, this Council's rents have for some years been in excess of the ODPM "guideline" figure. At present this does not affect the HRA but, when rebates are moved to the General Fund in 2004-05, then the HRA will be financially penalised if at that time rents are above the "guideline" level. The fact that tenants would, in such circumstances, pay part of any over "guideline" rent to the Government seems to give a strong incentive to keep the Council's rents at or near this level.
45. In relation to the funding of the planned maintenance programme proposed for the year 2004-2005, it is important to be aware that the programme includes a high proportion of expenditure that can be funded from the MRA or capital receipts and will not, therefore, fall on the HRA. Should the elements within the proposed programme be changed, then there could be an adverse effect on the HRA as any alteration could potentially result in an increase in the percentage of the programme that needs to be funded from revenue.
46. It is considered that the minimum working balance should be £1 million, which represents around £160 per dwelling.
47. The following information may be of assistance to Members when considering the question of a rent increase for 2004-05:
 - i) the current average rent is £56.90 per week;
 - ii) for this Authority, the Secretary of State has issued a Guideline Limit Rent for the year 2004-05 of £57.35 (an increase of 6% over the 2003-04 figure);
 - iii) the ODPM has suggested that individual council house rents should increase by no more than 2.46% plus or minus a maximum sum of £2.00 per week

(recommended in the guidance on rent restructuring) to move a property's rent towards the target calculated using the formula;

- iv) the majority of current rents are well below the target rents that have been calculated for individual properties;
- v) in relation to any rent set above the guideline limit rent, approximately half of any additional income collected from tenants would be paid to the Government as a rent rebate penalty;
- vi) a variation of 25p a week in average rent, up to 50p a week would raise approximately £72,000; and
- vii) a variation of 25p a week in average rent, over 50p a week would raise approximately £38,000 for the HRA.

48. It is anticipated that a 50p week variation, for rent restructuring, will increase the average rent from £56.90 to £57.37 (an increase of under 1%). The following table sets out differing levels of rent increase and the consequential effect on the working balance and the average rent that this would imply for tenants.

Average Rent	Rent Increase			Additional Income from Tenants	Rent Rebate Penalty	Additional HRA Income	Estimated Working Balance at 01/04/05
	Variation	Inflationary	Combined				
£	£	%	%	£000	£000	£000	£000
56.90	0.00	0	0.00	0	0	0	853
57.14	0.25	0	0.42	72	0	72	925
57.37	0.50	0	0.83	143	0	143	996
57.61	0.75	0	1.25	215	35	180	1,033
57.85	1.00	0	1.67	286	67	219	1,072
58.09	1.25	0	2.08	358	99	259	1,112
58.32	1.50	0	2.50	429	131	298	1,158
58.56	1.75	0	2.92	501	163	338	1,191
58.80	2.00	0	3.34	572	195	377	1,230
60.04	2.00	2.46	5.51	945	361	584	1,437

49. Having regard to the need for individual rents to move towards the target rents and the imposition of a financial penalty for charging above guideline limit rents, it is suggested that the Portfolio Holder recommends that, from April 2004, rents are increased by an average of around 1%, in relation to variations of plus or minus £0.50 a week towards the phasing in of rent restructuring.

Services and Facilities – Charges to Tenants

50. The draft estimates have been prepared on the basis that the charges made to tenants for services and facilities as detailed in the table below are increased by around 2.5% in line with the rate used throughout the Council's estimates for 2004-05. Those charges

which are eligible for financial aid from the Supporting People Pot may need to be slightly adjusted to bring them in line with the increase applied (on which information is not yet available) by the Supporting People Team.

Service or Facility	Current charge per week £.p	Proposed charge per week £.p
Sheltered Housing Service Charge for Tenants		
- support element		
- those in residence prior to 01/04/03	7.92	8.12
- other tenants	14.42	14.78
- other (communal facilities etc)	5.50	5.64
Garage Rents		
-Up to two garages rented to a Council house tenant or leaseholder	5.50	5.64
-Other Garages rented to a Council house tenant or leaseholder (subject to VAT)	5.50	5.64
-Other Garages (subject to VAT)	6.50	6.66
Rent reduction for tied accommodation occupied by wardens, deputy wardens or rangers	(12.13)	(12.43)

51. It is suggested that the Portfolio Holder recommends the increased Service and Facility Charges as outlined in the above table.

Service and Facilities – Sheltered Housing Service Charges to Equity Shareholders

52. A service charge of £16.20 per week (for those in residence prior to 1st April 2003) or £22.70 per week (for others) is currently made to equity shareholders. In addition to the £13.42 or £19.92 for the warden services, the charge to shareholders includes £2.78 per week to cover external repairs and estate maintenance. For tenants, these two items are included in the rent, so for the charges for tenants and shareholders to be equitable the charge made to shareholders should be greater than that made to tenants.
53. An increase of 41p. a week to £16.61, for those in residence prior to 1st April 2003, and 57p a week to £23.27, for others, would be in line with the recommended increase for charges to tenants.
54. If Members accept both these increases and those recommended for tenants earlier in this report, the differential between the charges for tenants and shareholders will be £2.88.
55. A differential of £2.88 between the tenants and the shareholders charges would, after allowance is made for the items mentioned above, make the charges for the two types of tenancy broadly equivalent.

56. Three years ago, Members agreed to a reduced charge being made for those residents of schemes without communal facilities. Tenants on such schemes would pay £5.64 a week less than those with all facilities, if the proposed charges for 2004-05 are approved. In the interests of equity, a charge of £10.97 (for those in residence prior to 1st April 2003) or 17.63 (for others) is suggested for shareholders on these schemes (i.e. the recommended full charge of £16.61 or £23.27 less the £5.64 reduction).

Service or Facility	Current charge per week £.p	Proposed charge per week £.p
Sheltered Housing Charge for Shareholders		
- schemes with all facilities		
- those in residence prior to 01/04/03	16.20	16.61
- other shareholders	22.70	23.27
- schemes without a common room		
- those in residence prior to 01/04/03	10.70	10.97
- other shareholders	17.20	17.63

57. It is suggested that the Portfolio Holder recommends that the sheltered housing charge to equity shareholders should be increased as outlined in the above table.

Alarm System Service to Tenants not on a Sheltered Housing Scheme

Alarm Service System Charge*	Current charge per week £.p	Proposed charge per week £.p
Group Alarm Schemes	3.35	3.43
Other		
Tenant not in receipt of benefit		
- where the Council supplies the alarm	3.35	3.43
- where the tenant supplies the alarm	2.71	2.78
Reduced charge for tenants in receipt of benefit		
- where the Council supplies the alarm	1.82	1.87
- where the tenant supplies the alarm	1.22	1.25

* plus VAT where appropriate.

58. It is suggested that the Portfolio Holder recommends that the alarm system charges made to tenants are increased by 2.5% as outlined in the above table.

Alarm System Service to Owner Occupiers

59. Owner occupiers using the alarm system service are charged in a similar manner to tenants. Members have previously decided that these charges should be the same as for tenants and, therefore, any increase will automatically follow from the decision taken in relation to the charge for tenants.
60. It is suggested that the Portfolio Holder recommends that the alarm system charges made to owner occupiers are increased by 2.5% in line with inflation.

HOUSING GENERAL FUND ESTIMATES: REVISED 2003-04 AND ESTIMATES 2004-05

61. A summary of the General Fund revenue estimates for this portfolio is shown at **Appendix B** and comments are given in the following paragraphs.

Improvement Grants

62. During 2003-04 a £40,000 net (£100,000 of expenditure less Government support of £60,000) precautionary item for Disabled Facilities Grant (DFG) expenditure was called upon. In addition an extra £450,000 for DFGs was approved by Members the net effect of which, after the 60% refund from the Government, will be £180,000. The revised estimate for 2003-04 for DFG expenditure to be met from the General Fund has, as a consequence, increased from £160,000 to £380,000.
63. A CIP bid has been included in the estimates for £50,000 gross, £20,000 net, in addition to the amount previously approved in the four year Capital Programme.
64. In the light of the demand led nature and the other uncertainties connected with expenditure on improvement grants, the Head of Community Services made a request for precautionary funds to be available to enable an extra £400,000 of Disabled Facilities Grants (DFGs) expenditure to be made if needed in 2004-05. However, when the list of precautionary items was considered at the Cabinet on 8th January 2004, Members decided that it was not appropriate to include an item of such magnitude on the list, and that, if additional funding is, in the event, required then the request should be dealt with at the time the need arises.

Home Improvement Agency

65. A CIP bid for the employment of extra staff has been approved. In the bid the Head of Community Services assumed that, if these staff are employed, fees to the value of £32,000 would be earned for the Agency (in addition to the normal fees for improvement grant work). The expected additional fees of £32,000 are shown in the Housing General Fund estimates and whilst, in general, recharges for staff are not being allocated to Portfolios at this time, in this instance, for completeness, the estimate for recharges has been increased.

Housing Association Support

66. The negative housing subsidy transfer from the HRA to the General Fund has in the past been used to fund Local Authority Social Housing Grant (LASHG). A transfer of around £960,000 was expected to be made in 2003-04 and, therefore, this amount was included in the estimates for revenue expenditure on LASHG. After the approval of

the 2003-04 estimates by Members the Government abolished the LASHG scheme and there will, consequently, be no further expenditure by the Authority on these grants.

67. The £7,090 included in the revised estimate for expenditure on support for non-LASHG schemes is for a grant made to Mencap in 2002-03 which was not fully claimed in that year

Homelessness

68. In the current year, the need for expenditure on Bed and Breakfast to house homeless people has been considerably more than anticipated. The revised estimate for accommodation costs has, as a consequence, been increased by £100,000 in comparison to the original estimate for 2003-04. £60,000 of this increase represents a precautionary item in the 2003-04 estimates. For next financial year, £60,000 has again been included in the list of precautionary items for possible expenditure on Bed and Breakfast.

Floating Support Service

69. This relatively new 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.

Shopping Car Parks

70. The Planning Portfolio Holder passed the responsibility for the capital and revenue shopping car parks budget to the Housing Portfolio Holder on 13th August 2003. Consequently, part of the estimate for "Car Parks and Cycleways" that previously appeared in the Planning estimates has been transferred to Housing.
71. In order to arrive at the original estimate figure approved for Housing, an adjustment for this transfer has been made to the Housing General Fund Summary.
72. All the notional capital charges for Housing are in relation to the shopping car parks

Miscellaneous

73. The recharges to miscellaneous Housing have increased considerably when the 2003-04 revised and 2004-05 estimates are compared to the 2003-04 original estimate. This increase reflects the fact that far more time is being allocated by staff to strategic work, the approval of an extra post and the growth in staffing costs in general.

Recharges from the HRA

74. The General Fund is required to make a contribution to the Housing Revenue Account where HRA facilities are used by the community in general or where expenditure is incurred on an area which is not considered to be a landlord function. Provision has been made in the draft estimates for £586,960 to be charged to the General Fund in 2004-05.

The main items being recharged for the above reasons are:

- a. use of sheltered housing communal facilities by the wider community and warden support for non HRA activities (the sheltered housing contribution); and
- b. grounds maintenance expenditure being apportioned to reflect the fact that many of the houses benefiting from the service are in private ownership as a result of Right to Buy sales.

Rent Allowances

75. This is expenditure on that part of housing benefit payments made to private sector tenants and the administration of the scheme which has not been supported by a grant from Central Government. There is to be a change in the basis on which Government supports the cost of the actual allowances paid out, such that, from next year rather than support being around 95% of most payments it will be increased to 100%. The Housing General Fund's expenditure on allowances has, consequently been considerably reduced. However, the gain in subsidy income is not a saving for Council as a whole compared with the previous year, because this has been taken into account by the Government in reducing the Revenue Support Grant Settlement for 2004-05.

Rent Rebates

76. Rent rebates are the housing benefit allowances made to Council tenants. Under the existing scheme, the cost of the actual rent rebates is chargeable to the HRA and the net cost of administering the Scheme (after allowing for any Government grant) together with the cost of making any non statutory benefit payments to tenants also falls on the General Fund. From 2004-05 rent rebates are to be transferred to the General Fund, however, the change appears likely to have little financial impact on the General Fund.

CAPITAL ESTIMATES: ADJUSTED 2003-2004, REVISED 2003-2004 AND ESTIMATES 2004-2005 TO 2006-2007

77. The summary capital programme for this Portfolio, is attached at **Appendix C** it includes the adjusted estimate for 2003-04 which reflects the abolition of the Local Authority Social Housing Grant Scheme, the additional expenditure required on Disabled Facilities Grants and the effect of timing on the expenditure on the full refurbishment project for council housing. The programme relates to all Housing capital expenditure both HRA and General Fund and is comprised mainly of:
 - a) the Council's own new build programme – with the expectation of diminishing resources, most new build work will need to be undertaken by Housing Associations. This will mainly affect the Council's ongoing programme to replace Airey properties. The building of the new communal room at Meldreth has been put on hold at the request of the Housing Portfolio Holder owing to concerns about the possible withdrawal of the bus service to the village.
 - b) improvement of the existing stock – this item includes upgrades of sheltered housing communal facilities and that part of the Shire Home repairs and maintenance expenditure funded from the Major Repairs Allowance or capital receipts. Information from the stock condition survey has been used to identify the work that needs to be undertaken to achieve the Government's "decent homes" target. Most of the available resources are, in future years, likely to be needed to fund improvements at the expense of any new build initiatives.

- c) the purchase of existing properties – this is mainly the repurchase of 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 an individual Airey property was purchased on the open market in order to substantially increase the area of a redevelopment site.
 - d) improvement grants – these include Renovation, Home Repair Assistance and Disabled Facilities Grants. In the current year an additional £550,000 for expenditure on Disabled Facilities Grants has already been approved by Members.
 - e) shopping car parks – the responsibility for the capital and revenue budgets for the shopping car parks has recently been transferred by the Planning Portfolio Holder to Housing.
 - f) grants 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.
 - g) grants made for housing related purposes that fall outside of the Local Authority Social Housing Grants (LASHG) Scheme. The cost of these grants, which are funded directly from the Housing General Fund, was offered as a permanent saving last year. It is not, therefore, intended to award any such grants in the future
 - h) LASHG awarded to Housing Associations to assist mainly with their new build projects and the purchase and possible improvement of existing properties. The scheme was abolished by the Government after the 2003-04 estimate was approved and, consequently, there will be no further expenditure on these grants.
78. The Authority has been debt free since the 1st April 1996 and can, as a result, use all its capital receipts to fund capital expenditure. In addition expenditure to be funded from the Major Repairs Allowance, has been included in the capital programme. The ambitious programme proposed involves expenditure of in the region of £11 million for each year of the programme.
79. The pooling of part of Right to Buy (RTB) capital receipts is to commence in 2004-05. There will, however, be a transitional scheme for debt free authorities, whereby the proportion of receipts to be pooled will be phased in over 3 years. To take advantage of this scheme Councils must agree to spend the savings made on affordable housing.
80. Existing RTB receipts will not be subject to pooling and, therefore, capital receipts, most of which have been accumulated over several years, can be used to provide a substantial portion of the funding needed to achieve the proposed programme, at least until March 2007.
81. Provided Councils agree to spend non RTB housing capital receipts on affordable housing, these will not be subject to pooling.

82. Part of the 2003-04 programme relating to Housing General Fund capital expenditure is to be funded directly from revenue. Therefore, matching figures also appear in the Housing General Fund detailed revenue estimates.
83. On 8th January, the Cabinet decided that the additional revenue cost of the approved non-recurring CIP bids should be met by funding an equivalent amount of capital expenditure from capital receipts instead of from revenue. The expenditure falls mostly in 2004-05. The overall effect of this is that £450,000 of expenditure on improvement grants that was to have been funded from revenue will now be funded from capital receipts.
84. Expenditure relating to HRA properties is to be funded either from the Major Repairs Allowance, capital receipts, or grant in the financial years covered by the programme. Consequently, although for completeness such expenditure on repairs and maintenance, upgrades etc is included as part of the detailed HRA analysis, the related expenditure is not carried forward to the HRA summary.
85. The new 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 in the preceding paragraph, 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.
86. 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 2003-04, updated 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 is in the estimates. This comparison is given below:

	2003-04 Estimate £000	2003-04 Revised £000	2004-05 Estimate £000	2005-06 Estimate £000	2006-07 Estimate £000
a)	10,086	10,153	10,175	10,655	11,120
b)	10,086	10,086	10,338	10,596	10,861
c)		67	(167)	(59)	259

where a) is the total proposed HRA capital programme
 b) the existing programme adjusted for inflation
 c) the difference between a) and b) which shows any increase on the existing programme

87. The increases in both the current year and 2006-07 have mainly arisen as a result of additional expenditure expected on the repurchasing of equity share properties and Shire Homes "capital works". Shire Homes staff maintain that additional "capital works" costing around £260,000 (included in the 2006-07 estimate) would have an annual impact of around £13,000 on response maintenance expenditure, with a consequential impact on the average Council house rent of around £0.04 per week.

Financial Implications

- 88. 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.
- 89. The Capital Estimates (both HRA and General Fund) for this Portfolio will be included in the Council's Capital Programme.

Legal, Staffing and Sustainability Implications

- 90. None

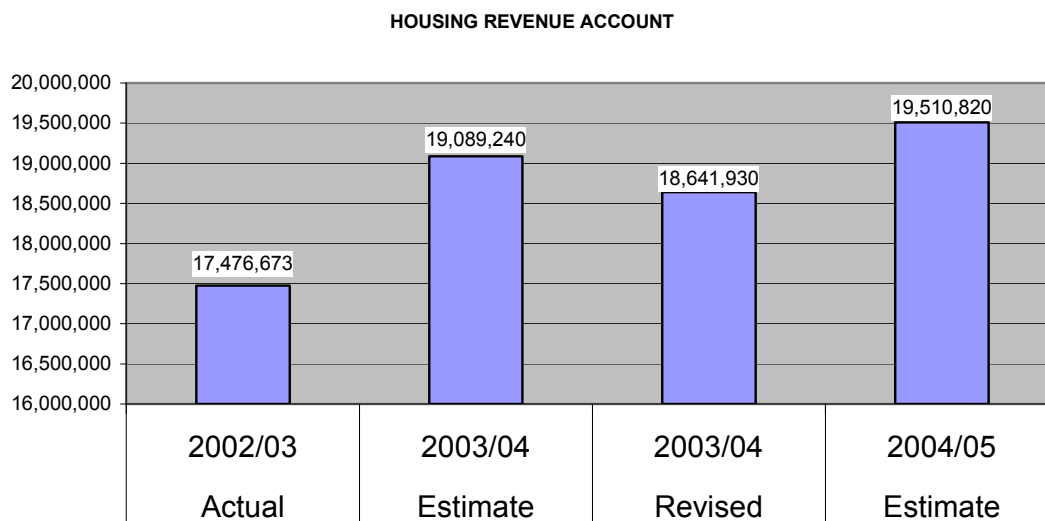
Conclusions

HRA

- 91. The total net HRA expenditure (net of support service income) as shown at Appendix A is reproduced below. To show the percentage increase/decrease between budgets in a more meaningful way the notional cost of capital charge has been excluded from the expenditure.

Year	Amount £	Increase/Decrease £	Increase/Decrease %
2002-03 Actual	17,476,673		
		+1,612,567	+ 9
2003-04 Estimate	19,089,240		
		-447,310	- 2
2003-04 Revised	18,641,930		
		+868,890	+ 5
2004-05 Estimate	19,510,820		

These comparisons are shown diagrammatically below:



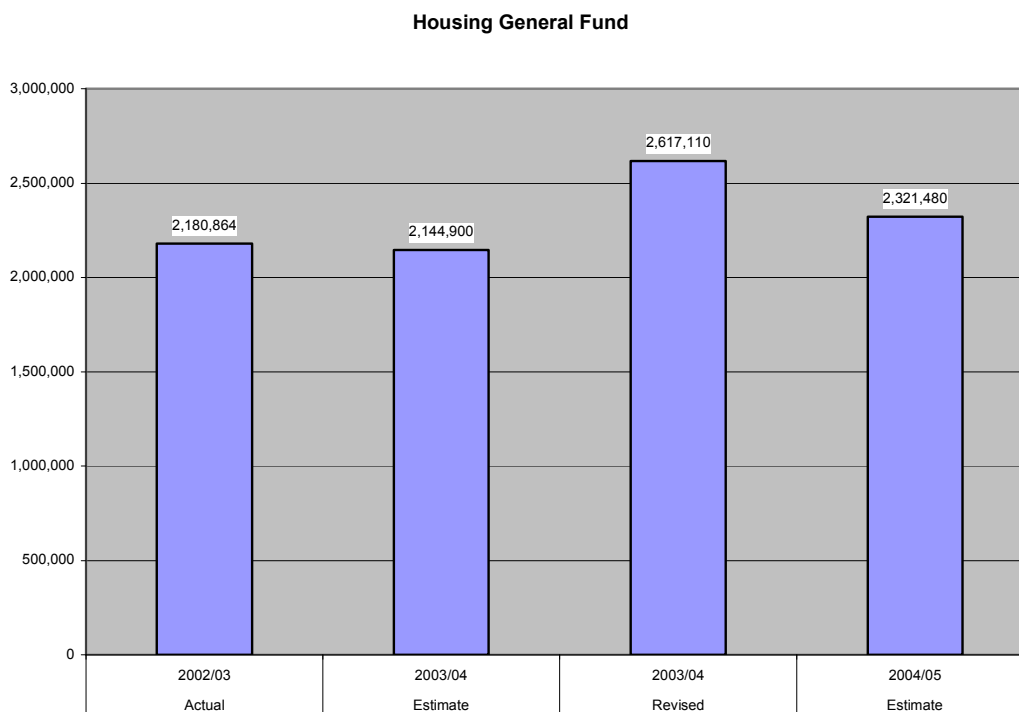
92. The increase in predicted expenditure is mainly owing to increased staff and overhead costs together with the unallocated additional cost for corporate CIP bids, the majority of which relate to the contact centre project.

Housing General Fund

93. The total Housing General Fund expenditure as shown in **Appendix B** is reproduced below to show the percentage increase/decrease between budgets. In order for a meaningful comparison to be made the effect of the negative housing subsidy (£1,150,000) on the 2003-04 revised estimate and the funding of improvement grants from capital receipts on the 2004-05 estimate have both been excluded from these figures.

Year	Amount £	Increase/Decrease £	Increase/Decrease %
2002-03 Actual	2,180,864		
		-35,964	- 2
2003-04 Estimate	2,144,900		
		+472,100	+ 22
2003-04 Revised	2,617,110		
		-295,630	- 11
2004-05 Estimate	2,321,480		

These comparisons are shown diagrammatically below:



94. The increase in the 2003-04 revised estimate when compared to the 2003-04 estimate is largely owing to the additional expenditure on improvement grants and Bed and Breakfast.

Recommendations

95. The Portfolio Holder for Housing is requested to:
- i. endorse the HRA and Housing General Fund Revenue Estimates and the Capital Programme shown at Appendices A, B and C and recommend them for consideration by Cabinet.
 - ii. request Cabinet to recommend that Council agree to spend the £34,188,710 included in the Housing Capital Programme for 2004-05, 2005-06 and 2006-07 on affordable housing.

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

Estimate files within the Accountancy Division of the Finance and Resources Department

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