

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder

20 January 2009

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 2009-10 and the Capital Programme up to 2011-12.
2. This is not a key decision. However, the report presents the relevant 2008-09 revised and 2009-10 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 2009.

Background

3. The Housing 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 Cabinet approved the Staffing and Central Overhead Estimates on 11 December 2008. 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 projected service structure approved by Cabinet in September. However, the new officer structure cannot be reflected in the comparative recharge figures, so these will be shown only in total on each service. 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 5 February, consideration by the Cabinet on 12 February, and finally, presentation to the Council on the 26 February for confirmation of the estimates and levels of the Council Tax, rents and charges.
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 (1-5)** 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 inflation in the Medium Term Financial Strategy remains as the overriding level of inflation provision.
10. Where applicable, the estimates of each portfolio incorporate the approved bids agreed by Cabinet on 11 December 2008 and all other expenditure approvals made up to that date. They also take account of any virement made during the year, rollover of budget from the previous year and efficiency savings.
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 12 February 2009. Within the Housing part of this Portfolio, there are only requests for inclusion on the list for £100,000, which relates to possible expenditure on homeless accommodation costs, and for £50,000 for consultancy costs should the a transfer of the Council's homes be agreed.

Considerations

HOUSING GENERAL FUND REVENUE ESTIMATES: REVISED 2008-2009 AND ESTIMATES 2009-10

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 2008-09 estimates and adjusting for transfers relating to recharges, virement, any approved additional expenditure and, for next year, inflation. The result is that the 2009-10 Estimate is £209,800 below the target of £519,680 mainly because the reduction in the recharges from the HRA. The Revised 2008-09 Estimate is above the adjusted original estimate by £112,930, owing to a greater than anticipated portion of the Housing Futures expenditure being rechargeable to the General Fund from Housing Revenue Account.
14. Some comments on the individual estimate headings 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, 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**
The expenditure on Housing Association Support is mainly the cost of staff time spent on enabling the production of new affordable housing for sale and rent through housing associations by working with the government funding body (the Homes and Communities Agency), private developers and landowners in conjunction with

planning applications and redeveloping local authority sites. The target for 2009-10 is 398 new homes to be completed

17. 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 £40,000 has been made when the revised estimate for accommodation is compared to the original estimate for 2008-09.
- (b) In view of the difficulty in accurately estimating the demand for accommodation, it is requested that £100,000 be included on the list of precautionary items for possible additional expenditure on temporary accommodation, as the current economic climate may well result in repossessions.
- (c) The amount requested as a precautionary item for this purpose in 2008-09 was £30,000 and to date, none of this has been utilised. The proposal for £100,000, therefore, represents an increase of £70,000.

18. 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.

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 the tenure type of the property the vulnerable person is living in. More than half of the cost of the service is funded from by supporting people grant. The HRA is recharged for a proportion of the net expenditure pro rata to the number of HRA tenants using the service.

20. Shopping Car Parks

Negotiations were underway to sell/lease three of the shopping car parks and the original estimate for this year was based on the assumption these would be sold between March and September 2008. Unfortunately, none of the sales have been achieved to date and the potential buyers have either dropped out or are reconsidering the situation. Even if other purchasers are found it is prudent to assume that the actual sales may not take place for some time.

21. 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 £364,430 to be charged to the General Fund in 2008-09. It is now anticipated that only

£249,190 will be required, mainly owing to revision of time allocations and efficiencies achieved in the Sheltered Housing Service.

(d) In 2009-10 the estimated recharges amount to £251,090.

22. Recharge from the HRA for the Housing Futures Project

- (a) The Council is engaged the phase 2 of the housing futures project and a provision was put in the 2008-09 estimate for the potential additional cost.
- (b) The expenditure on the project is recoverable from the capital receipt that the Council would receive should a transfer take place, however, part of the expenditure will, at least initially, fall on the General Fund. When the 2008-09 estimate was prepared it was thought that £275,000 would be the appropriate share of the costs and although there has not been a significant increase in the estimated total cost of the project in 2008-09, it is now anticipated that around £521,000 will have to be met from the General Fund.
- (c) The 2008-09 estimate was derived from the indicative figure provided by the lead consultant for phase 1, however, the estimate has been revised in the light of actual costs and a detailed assessment of where these can be met based on Department of Communities and Local Government guidance. The cost of a ballot, which would wholly fall on the HRA, was included in the 2008-09 estimate.
- (d) Tenants are now expected to be balloted during the early part of next financial year on whether they support the Council's housing transfer proposal. The estimate for 2009-10, therefore, only includes the remaining costs of the current phase of the project as once the outcome of the ballot is known this part of the project will be completed.
- (e) In the event that a housing transfer is able to go ahead, consultants and support staff will need to be employed and, whilst such expenditure can be offset against the capital receipt from the transfer of the Council homes, initially it would fall on the General Fund. As it is uncertain whether there will be a transfer, it is requested that £50,000 is included in the precautionary items to cover the cost of consultancy and other support necessary to progress that stage of the housing futures process.

23. Recharges from Staffing and Overhead Accounts - Central, Departmental and Support Services (see estimates report to Cabinet 11 December 2008):

- (a) The estimated recharges from Staffing and Overhead Accounts to this portfolio decreased by £17,520 (1.7%) from £1,024,380 in the original 2008-09 estimate to £1,009,860 in the 2009-10 estimate. The 2008-09 revised estimate of £1,063,430 is £39,050 (3.8%) higher than the original estimate. The increase is mainly owing to additional staff time being spent on homelessness and housing advice where staff intensive measures have been put in place in an attempt to keep the level of homelessness to a minimum. 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 £17.959 million in the original estimates 2008-09, £17.897 million in the revised estimates 2008-09 and £18.876 million in the estimates 2009-10. These equate to a decrease of £0.062million (-0.3%) in 2008-09 and an increase of £0.979 million (5.5%) in 2009-10, when compared with the original estimate 2008-09. The increase above inflation in 2009-10 is mainly due to, firstly, the salary costs of individual officers increasing by 5.1% (additional pay awards and pension costs), and secondly, the costs of additional staff appointments and other central costs approved by Cabinet as part of the bidding process.

- (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 2008-2009 AND ESTIMATES 2009-10

24. 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.
25. Comments on the HRA estimates are given in the following paragraphs.
26. 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.
27. 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 and the level of financial support from rents in general has considerably reduced over the last few years.
- (c) There is a reduction in net expenditure when both the 2008-09 revised and 2009-10 original estimates are compared to the 2008-09 estimate. This is owing to the expectation that there will be more income than was included in original estimate.
28. Support Services -Tenant Participation
The main reason for the 43% increase in expenditure when the 2008-09 estimate is compared to the revised figure, is that staff anticipate spending additional time on tenant participation work.
29. Support Services - Hostels for the Homeless
- (a) In 2008-09 there has been a reduction in expenditure on hostels as the lease on the Poplars Hostel has been terminated and the Council is no longer paying rent.
- (b) There has been a further reduction in expenditure because, as there are fewer hostel rooms available, void levels have dropped and where rooms are left empty the Council incurs a financial penalty.
30. 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) From 2009-10 the capital element of the programme will have to be reduced considerably owing the fact that the receipts accumulated in the past will have run out.
- (c) In the light of the need for significant expenditure cuts, the Housing Maintenance Plan Working Group (a group of Tenants and Members set up to

review the 5 Year Maintenance Plan) was of the opinion that expenditure on elements included in the Decent Homes Standard that the Department of Communities and Local Government (CLG) expects authorities to achieve should be prioritised and reluctantly, therefore, agreed to reduce the 2009-10 allocation for disabled adaptations to £400,000. However, the Group expressed considerable concern at the impact on elderly and vulnerable Tenants of this particular cut.

- (d) In 2007-08 the HRA under-spent and it is proposed that for 2009-10 the allocation for disabled adaptations be reinstated to its previous level of £800,000 by using £400,000 of revenue from the additional amount available in the balance brought forward.
- (e) Occupational therapists employed by the County Council assess what adaptations are needed on an individual case basis and these assessments are required before work is commissioned by this Council. The occupational therapists are currently reducing their backlog of outstanding cases in South Cambridgeshire and, as a consequence, there are now almost twice the usual number of Tenants on this Council's waiting list. The allocation for expenditure on adaptations is, therefore, likely to be very stretched 2009-10 and any significant cut in resources available would almost certainly result in unacceptable delays.
- (f) 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, 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.
- (g) 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 & Capital Type) £000	Total £000
2007-08 Actual	1,921	692	6,663	9,276
2008-09 Estimate	1,898	844	6,808	9,550
2008-09 Revised	2,072	911	6,902	9,885
2009-10 Estimate	2,242	950	4,760	7,952

31. 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) The rules for calculating this figure vary from year to year. For 2007-08 the CLG (Department of Communities and Local Government) agreed to give some compensation to any authority, such as South Cambridgeshire, that complied with a request to keep average rent to 5% above the 2006-07 level rather than increasing them in line with the rent restructuring scheme.
- (e) The method CLG used to work out how much compensation would be made was not available until well after last year's accounts were closed and, therefore, an estimate had to be used for the purpose of the 2007-08 accounts. The final figure for this compensation allowance has now been

agreed by the Council's external auditors and, as a result, the CLG should reduce size of this year's transfer by almost £300,000.

- (f) It is anticipated that in 2009-10 the net payment to the government, based on the figures in the notional account, will be around £12.25 million. Details of the calculation of this estimate are shown at **Appendix E**.

32. 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 a holding account is, therefore, included in the detailed HRA estimates.
- (c) With a view to improving the efficiency of the service and preparing the DLO for the potential re-tendering of the response repairs contract, a dedicated officer has been appointed to review and manage the service. The costs in the current year have, therefore, increased and a small deficit of £17,430 is anticipated.
- (d) In 2009-10 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 and this is considered to be a risk to continuation of the "in- house" service.

33. Housing Futures

- (a) Whilst the revised estimate for expenditure on the housing futures project is £18,830 more than the original provision for 2008-09 of £740,000, a far greater portion of the costs will fall on the General Fund and less than anticipated will come from the HRA.
- (b) When the 2008-09 estimates were prepared no staff time had actually been allocated to housing futures and therefore an adjustment of £150,000 was made to reflect the fact that this expenditure on staff would merely represent a reallocation rather than an additional cost to the HRA.
- (b) In the event of the Council homes transferring to a housing association the costs can be offset against the capital receipt from the transfer of the housing. It is anticipated that a ballot will be held early in next financial year and the 2009-10 estimate reflects the fact that the project comes to an end.
- (c) Should a decision to transfer the homes be made, there is likely to be a need for expenditure on consultancy and other support (which can be offset against the capital receipt). In view of the uncertainty surrounding such expenditure, it is proposed that £50,000 be included on the list of General Fund precautionary items for 2009-10, as this is where such costs would fall.

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 – Revenue Contribution to Capital Outlay

It is proposed, as there are insufficient other resources available, to fund some disabled adaptations from revenue in 2009-10.

36. 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

37. **Income – Rent from Dwellings**
The void turnaround time has been considerably reduced and this, together with the excellent collection rate and the low level of sales, has resulted in anticipated rental income for this year being £230,000 (1.1%) more than in the 2008-09 estimate.
38. **Interest Receivable**
This amount is mainly interest on the working balance and although the balance is more than anticipated there is expected to be less income from this source, owing to the reduction in interest rates,.
39. **Value for Money**
The Audit Commission has selected a group of authorities (“nearest neighbours”) which could be seen as similar in order for Councils to be able to make comparisons and demonstrate value for money. Unfortunately very few authorities still have an HRA, however, of those remaining, when looking at 2008-09 estimates the cost of management and maintenance per property is lowest in South Cambridgeshire and only 72% of the average. The figures have been provided on the strict understanding that they are “draft” and not available for publication, actual figures have not, therefore, been included at this stage.

RENTS AND OTHER CHARGES

40. 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.
41. The supporting people team have indicated that the financial assistance for those in sheltered housing will be increased. 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 2009-10 supporting people figures.
42. The assumption, for estimate purposes, regarding the individual alarm charges is that they will be increase by 2.5%, which is figure used throughout the estimates for general inflation.
43. Comments on individual charges are given in the following paragraphs.
44. **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, in line with the government’s guidance is 5.5% (based on September 2008 annual retail price index increase of 5.0% plus 0.5%). To this must be added the amount required to move towards the target rent levels.
 - (d) In order to reduce the impact of rent increases on tenants, the CLG has extended the timescale for reaching target rent levels by twelve years to 2024-25.

45. Sheltered Housing Service Charges

- (a) The best estimate available for the weekly amount of supporting people grant for sheltered housing in 2009-10 is £14.99 per week and this has therefore been assumed as the support element of the service charge.
- (b) Members agreed to a transitional scheme for sheltered housing support charges for those in residence before the start of the supporting people regime. Last year was, however, the final year of scheme and all residents will now be charged the same amount.
- (c) The assumption used for the sheltered housing charge for communal facilities is that this would increase by 5.5% in line with the government recommendation. This would increase the charge from £6.57 per week to £6.93 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. 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. However, in the past, owing to the substantial administrative expenditure that would be involved, it was not considered cost effective to recover the full costs and instead a standard charge was made.
- (e) New legislation means that the Council will now have to provide most of the information to leaseholders that is needed to be able to make a full charge and there is, therefore, no longer any justification for setting a standard charge.
- (f) 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 5.5% plus £2 a week for those on schemes with common rooms and 5.5% + 70p a week for those on schemes without such facilities.
- (g) The proposed sheltered housing charges are set out in the following table.

Sheltered Housing Charges	Current Charge p.w.	Proposed Charge p.w.	Increase	
	£	£	%	£
Tenants				
- support element				
- those in residence prior to 01/04/03	13.42	14.99	11.7	1.57
- other tenants	14.48	14.99	3.5	0.51
- communal facilities	6.57	6.93	5.5	0.36
Equity Shareholders - Maximum				
- schemes with communal facilities				
- those in residence prior to 01/04/03	23.64	27.77	17.5	4.13
- other shareholders	24.70	27.77	12.4	3.07
- schemes without communal facilities				
- those in residence prior to 01/04/03	17.07	19.54	14.5	2.47
- other shareholders	18.13	19.54	7.8	1.41

46. 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 lifeline charges.
- (b) 2009-10 will be the final year of the phasing out of the reduced lifeline charge and, therefore, the same charge will apply to all users for 2010-11. At present, those users paying the full charge are effectively subsidising those paying the

reduced charge. The phasing out of the reduced charge may, therefore, all things being equal, allow the Council to set the full charge at a lower level in future years.

- (c) 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.
- (d) 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	3.79	3.88	2.4	0.09
- where the user supplies the alarm	3.06	3.14	2.6	0.08
- Those in receipt of benefit				
- where the Council supplies the alarm	3.11	3.54	13.8	0.43
- where the user supplies the alarm	2.39	2.80	17.2	0.41
Group Alarms	3.36	3.48	3.6	0.12
* plus VAT where appropriate				

47. 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 5.5% (in line with the uplift for HRA charges recommended by the CLG).
- (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	6.64	7.00	5.4	0.36
N.B. In excess of two garages will be subject to VAT				
Other Garages (subject to VAT)	9.17	9.67	5.5	0.50

**CAPITAL ESTIMATES:
REVISED 2009-10 AND ESTIMATES 2009-10 TO 2011-12**

- 48. 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.
- 49. Wherever possible, HRA capital expenditure is 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, in 2007-08 there was an under-spend on the HRA and as a result it is proposed that a special revenue contribution of £400,000 is made in 2009-10 to fund capital expenditure on disabled adaptations for the reasons outlined earlier in the report. This revenue contribution is not to be available for reallocation or virement. Clearly, should a decision be made to transfer the Council homes, the HRA working balance at that time will be reduced by this amount.

50. As housing expenditure makes up around 85% of the total programme, it has been 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 grants or contributions – approximately £3.2 million.
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 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. Whilst, in order to rectify the situation, officers from the CLG have agreed to amend the legislation, to date this has not happened.
52. The projections included in the capital estimates approved February 2008 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 2009. The CLG have now informed the Council that this is now extremely unlikely and it has therefore been assumed the change will not happen for a further year.
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:
 - 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. 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) All things being equal it is expected that expenditure on improvements will need to be reduced to £3.2 million a year from 2010-11. This is a reduction of around £4 million in comparison to 2007-08 actual and 2008-09 estimate. If the use of £400,000 from revenue (specifically to fund disabled adaptations) is agreed by Members the programme will only need to be reduced to £5 million in 2009-10.
56. Acquisition of Existing Dwellings
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. 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 2008-09. £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 cannot be predicted with any degree of accuracy.

57. 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 grant, purchasing a private property in this area is now beyond the means of the majority of tenants.
- (b) So far this year one grant of £34,000 has been made and a further £34,000 has been left in the budget to allow for the possibility of another.

58. 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 £0.75 million will be used over the next three financial years 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.

59. 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 2007-08, 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:

	2008-09 Estimate £000	2009-10 Estimate £000	2009-10 Estimate £000	2010-11 Estimate £000
a)	10,405	8,320	6,480	6,480
b)	10,405	10,665	10,932	11,205
c)		(2,345)	(4,452)	(4,725)

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.

60. 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 (1-5)** This good practice will be particularly relevant for 2010-11 when schemes will have to be prioritised and ranked for inclusion in the capital programme as a whole.

Implications

61. 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.

62. Legal Staffing	There is a statutory obligation for the HRA to be in balance The considerable cut in the major repairs and improvements programme may 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. 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

63. 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

Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future	To determine detailed Housing Portfolio budgets to provide the resources for the Council to continue and improve its services to achieve its corporate objectives as far as possible within the current financial constraints.
Deliver high quality services that represent best value and are accessible to all our community	
Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work	

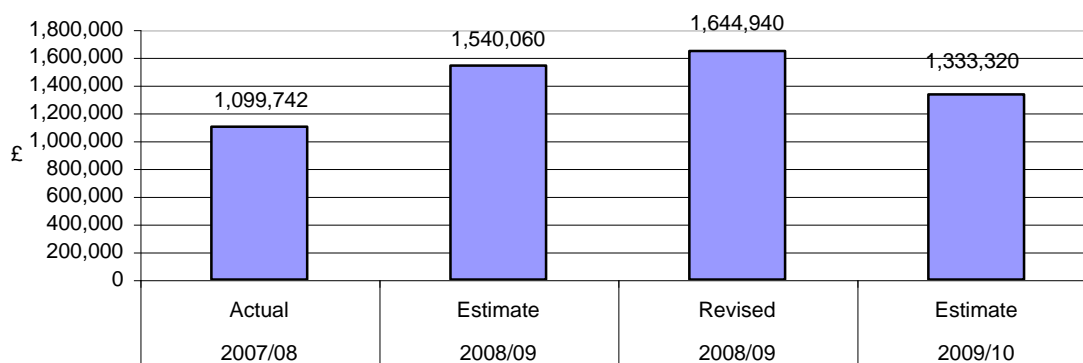
Conclusions/Summary – Housing General Fund

64. 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/Decrease £	Increase/ Decrease %
2007-08 Actual	1,099,742		
		+ 440,318	+ 40.0
2008-09 Estimate	1,540,060		
		+ 104,880	+ 6.8
2008-09 Revised	1,644,940		
		- 311,620	- 18.9
2009-10 Estimate	1,333,320		

These comparisons are shown diagrammatically below:

HOUSING GENERAL FUND



65. The increase in expenditure from 2007-08 to the 2008-09 original estimate of £440 thousand is mainly owing to the housing futures project and additional recharges from the Staffing and Overhead account.
66. The increase of £105,000 in the revised estimate compared with the original estimate in 2008-09 is largely owing to an increase in net recharges from the HRA. The housing futures project has shown a significant increase but this has been mitigated by reductions in most of the other recharges.
67. The main reason for the decrease of £312,000 when the original estimate for 2009-10 is compared to the 2008-09 revised estimate, is the expected conclusion of phase 2 of the housing futures project early in 2009-10.
68. 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 2009-10 estimates are well within the required target; the revised estimate for 2008-09 is considerably above the target. It is however difficult to make meaningful comparisons because of the impact of the housing futures project.

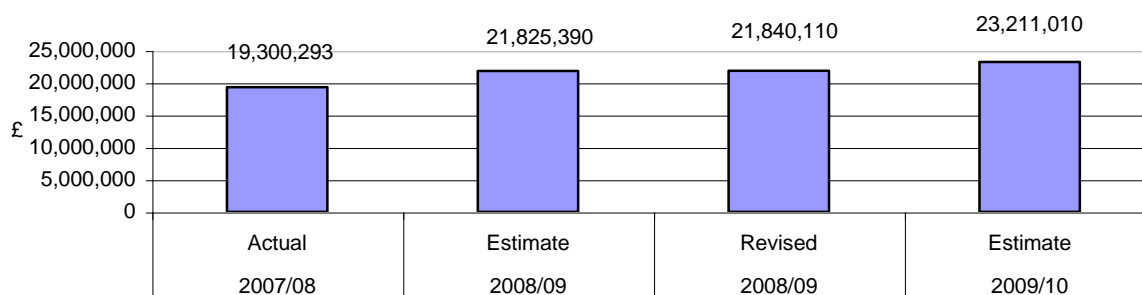
Conclusions/Summary – Housing Revenue Account

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

Year	Amount £	Increase/Decrease £	Increase/ Decrease %
2007-08 Actual	19,300,293		
		+ 2,525,097	+ 13.1
2008-09 Estimate	21,825,390		
		+ 14,720	+ 0.1
2008-09 Revised	21,840,110		
		+ 1,370,900	+ 6.3
2009-10 Estimate	23,211,010		

These comparisons are shown diagrammatically below:

HOUSING REVENUE ACCOUNT



70. The main reason for the increase in expenditure from 2007-08 to the 2008-09 original estimate is the increase in the payment to the government.
71. The increase in the revised 2008-09 estimate compared with the original estimate in 2008-09 is insignificant.
72. The increase in predicted expenditure between the revised estimate for 2008-09 and the estimate for 2009-10 is mainly owing to an increase in the estimated net payment to the government.

Recommendations

73. The Portfolio Holder for Housing is requested to:
- confirm the proposals for capital expenditure shown at **Appendix D(1-5)**, for inclusion in the capital programme.
 - endorse the Revenue Estimates and Capital Programme shown at **Appendices A, B and C** and recommend them for consideration by the Cabinet.
 - request that Cabinet recommend to Council the use of £400,000 from the HRA to fund disabled adaptations in 2009-10. This amount is only to be used for disabled adaptations and is not, therefore, to be available for reallocation or virement.
 - request that Cabinet include the following on the list of precautionary items for 2009-10
 - £100,000, for possible additional expenditure on accommodation for homeless people; and
 - £50,000 as a provision for consultancy that will be needed should a transfer of the Council's Housing be agreed (any such expenditure will be recoverable as it can be set against the capital receipt from the sale).

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

Estimate files within Accountancy Services

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