

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder Meeting

18 January 2012

AUTHOR/S: Executive Director, Corporate Services

REVENUE AND CAPITAL ESTIMATES FOR THE HOUSING PORTFOLIO

Purpose

1. The purpose of this report is to enable the Housing Portfolio Holder to consider the Revenue Estimates for 2012/13 and the Capital Programme up to 2016/17 for the Housing General Fund.
2. To consider the proposed housing charges to be made to tenants, licensees leaseholders and residents during 2012/13
3. This is not a key decision; however, the report presents the relevant estimates for endorsement by the portfolio holder, prior to being included as part of the overall estimates to be presented to Cabinet on the 9 February 2012 and confirmed by Council on 23 February 2012.

Recommendations

4. The Housing Portfolio Holder is requested to:
 - (a) endorse the Revenue and Capital Estimates for the Housing General Fund as shown at **Appendix A** (Revenue) and **Appendix B** (Capital) and recommend them for inclusion in the overall estimates to be considered by Council in February,
 - (b) confirm the proposals for housing general fund capital expenditure shown at **Appendix D(1-7)**, for inclusion in the capital programme,
 - (c) endorse the proposed housing charges for 2012/13 as shown in **Appendix C** and recommend them for approval by Council, and
 - (d) request that Cabinet include £140,000, for possible additional expenditure on accommodation for homeless people, on the list of precautionary items for 2012/13.

Reasons for Recommendations

5. The draft estimates for all the services of the Council need to be considered and endorsed by the relevant portfolio holders, in order to be collated and presented to the Scrutiny and Overview Committee on 6 February 2011 and to Cabinet on 9 February 2012. The final approval of the estimates and the levels of council tax and rents will be decided by the Council on 23 February 2012.

Background

6. The estimates for the Housing Portfolio form part of the overall considerations for the Council's annual budget setting exercise and cover Housing General Fund (GF) and Housing Revenue Account (HRA) expenditure.

7. The Housing Revenue Account (HRA) is moving to the new “self financing” arrangement from 2012/13 and is required to produce a 30 year business plan. This plan will be considered separately by the Cabinet on 9 February 2012 and, therefore, the HRA estimates are not being considered in this report. The Portfolio Holder has, however, asked to consider all increases in housing charges at this meeting and some of these are for the HRA. The rent income shown in the HRA Business plan will reflect an increase in line with the Government rent restructuring regime with any other charge increases being included at the level recommended by the Housing Portfolio Holder at this meeting.
8. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead Estimates on 20 December 2011. The recharges approved at that meeting are recharged to all services, as appropriate, termed “Central, Departmental and Support Services” in the estimates attached - the analysis reflects the current service structure. It should be noted that, as all the recharges have already been approved, individual portfolio holders cannot amend them.
9. The General Fund 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 6 February 2011, consideration by Cabinet on 9 February and finally presentation to the Council on 23 February for consideration of the revised 2011/12 and 2012/13 estimates and the levels of council tax.
10. The summary Housing General Fund revenue estimates are set out in **Appendix A** and the Capital programme is shown at **Appendix B**.
11. **Appendix D (1-7)** consists of capital proposal forms for consideration alongside the capital programme.
12. Provisions for inflation have been applied to individual estimates only in cases where price increases can be justified. No automatic inflation allowance has been applied, but the 2.5% overall assumption of non-pay inflation in the Medium Term Financial Strategy remains as the overriding level of provision.
13. Where applicable, the revised 2011/12 estimates of each portfolio take account of any rollover of budget from the previous year and virement made during the year; they also incorporate expenditure approvals by Cabinet and Council up to November 2011.
14. All the estimates exclude the small number of “Precautionary Items” that are listed at the back of the current estimate book. These are specific, exceptional items of expenditure, which 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 Cabinet on 9 February 2011. The only request for inclusion on the list within this Portfolio is for £140,000 in relation to possible expenditure on homeless accommodation costs.

Considerations

HOUSING GENERAL FUND REVENUE ESTIMATES: REVISED 20011/12 AND ESTIMATES 2012/13

15. A summary of the revenue estimates for the Housing General Fund 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, capital charges are notional charges that do not affect the overall expenditure of the Council and the Staffing and Central Overhead Accounts Estimates determine the recharges.

16. **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 2011/12 estimates and adjusting for virement, additional approved savings, additional approved expenditure and the impact of the Home Improvement Agency partnership and the loss of the floating support contract. The result is that the 2011/12 estimate is £10,890 above the target, mainly owing to slippage in the timetable for disposing of the shopping car park at Great Shelford. The 2012/13 estimate is £12,330 below target; this is mainly because of an anticipated increase in income in relation to the travellers sites. It should be noted, however, that there is a request to include £140,000 on the list of precautionary items for potential additional homelessness expenditure.
17. The vast majority of the Housing General Fund expenditure is made up of recharges from the staffing and overhead accounts and capital charges and neither of these are being considered here. However, it should be noted that the substantial decrease in recharges between the 2011/12 and 2012/13 estimates is partly owing to the fact that the neither the floating support service or the Home Improvement Agency will be managed by the Council in 2012/13. Some comments on the individual estimate headings, where there are significant direct costs, are given in the following paragraphs. All comparisons therein are made with the 2011/12 original estimates.
18. Homelessness
 - (a) Officers have been successful in introducing various strategies to keep expenditure on accommodation for the homeless under control. As part of this strategy, in the current year £22,440 has been vired from the homeless budget to pay for additional staff resources to help with prevention.
 - (b) A bid for extra funding of £49,000, for resources to deal with additional demands on the homeless service in 2012/13 and future years, was approved by the Cabinet in January 2011. A provision for additional member of staff has, therefore, been included in the 2012/13 homeless estimate.
 - (c) In view of the difficulty in accurately estimating the demand for accommodation, it is requested that £140,000 be included on the list of precautionary items for possible additional expenditure on temporary accommodation.
 - (d) The amount requested as a precautionary item for this purpose in 2011/12 was £120,000 and to date, none of this has been utilised. The proposal for £140,000, therefore, represents an increase of £20,000, which is considered necessary in view of the current economic climate and the changes in benefit rules.
19. 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. A contribution from the HRA is calculated based on the portion of HRA lettings relative to the total lettings. Housing Associations using the scheme also make contributions.

- (c) A provision for an additional member of staff to advise homeless and potentially homeless applicants is included and part of the £49,000 approved by Cabinet for increased homeless preventative work has been used to fund the net cost of this additional post.
20. Floating Support Service
- (a) This service provides support to tenants of housing associations, private landlords and the Council on our own stock and is funded from a supporting people grants and a contribution from the HRA. During the year the County Council put the service out to tender and unfortunately, the bid made by this Council, as part of a consortium with other providers, was unsuccessful. As a consequence, from December 2011, the service was no longer provided by South Cambridgeshire.
21. Shopping Car Parks
- (a) The original estimate for this year was based on the assumption that none of the car parks would any longer be the Council's responsibility. Negotiations have been underway to transfer the lease of the car park at Great Shelford to the Parish Council for some time. Unfortunately, responsibility for the car park has not been transferred and, consequently, in order to minimise the continued cost of renting and running the car park the Council is considering giving notice to the landlord
22. Home Improvement Agency
- (a) During the year it was agreed to set up a joint Home Improvement Agency service in partnership with Cambridge City and Huntingdonshire Councils with the aim of providing a more flexible and efficient service.
 - (b) The partnership arrangements are to start from 1st April 2012 and, whilst a share of any surplus or deficit made by the joint agency will be shared by the partners, there is no expenditure or income included in the 2012/13 estimates for the South Cambridgeshire's agency.
23. General Fund Sheltered Properties
- (a) Last year the Secretary of State for Communities and Local Government granted the Council permission to move some of the equity share sheltered properties from the HRA to the General Fund. As a result, the proceeds from the sale of any of the properties which have to be repurchased will no longer be subject to pooling. Whilst this will save several million pounds that would otherwise have been sent to the Government, it does mean that there will be some revenue costs falling on the General Fund. These costs mainly relate to the time between the purchase and the resale of these properties.
24. Recharges from/(to) 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 alarm service is accounted for in the HRA and run by staff in the supported housing team. Because the service is used by both tenants and others any

deficit or surplus is shared between the HRA and General Fund in proportion to the number of users in each group

- (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);
 - (ii) outdoor maintenance expenditure being apportioned to reflect the fact that, as a result of Right to Buy and other sales, many of the homes benefiting from the service are in private ownership; and
 - (iii) any alarm service net deficit or surplus apportioned to reflect the number of non tenants using the service
- (d) Provision has been made in the original estimates for £121,100 to be charged to the General Fund in 2011/12. It is now expected that £148,210 in 2011/12 and £143,810 in 2012/13 will be required, mainly owing to a decrease in the surplus on the alarms service following the decommissioning of the group alarms.

HOUSING CHARGES

25. The estimates have been prepared on the assumption that most housing charges, with the exception of the sheltered housing charges and the travellers site pitch charges, are increased by 2.5%, which is figure used throughout the estimates for general inflation. There is also a proposal for a new temporary let charge. **Appendix C** gives a schedule of the proposed charges for 2012/13.
26. It should be noted that the change in sheltered housing charges are to be implemented from July 2012 rather than April as is the case with all the other charges shown in **Appendix C**.
27. Comments on the proposed temporary let, sheltered housing and travellers charges are given in the following paragraphs.
28. Temporary Let Charge
- (a) Whenever there is a change of tenancy on a property there are costs involved, as, for example, safety checks and repairs are required to bring it to a satisfactory standard. Properties designated for temporary letting, therefore, can attract these costs several times a year and it is proposed to introduce a charge (fully eligible for benefit) that will go some way to recouping this expenditure.
29. Travellers Site – Pitch Charges
- (a) It is proposed that these charges are increased by the September Consumer Price Index (CPI) in line with most other providers nationally. The CPI increase is 5.4% but the charges have been rounded to the nearest 50 pence to simplify administration as these charges are often collected in cash from the travellers.
30. Sheltered Housing Service Charges
- (a) For some years it has been intended to move to a situation where all the service charges for sheltered housing are set to recover the actual costs of the service and it is proposed to make the change in 2012/13.
- (b) The report on the Affordable Homes Restructuring proposals later on this agenda outlines changes which will result in a reduction in costs for the support element of the sheltered housing service to accommodate the changes in

funding. The support element of the service charge is, therefore, set to reduce from £13.63 a week for the current service, to £3.00 a week for the alarms only. The remainder of the support service would be provided at no cost to the user and funded from grant.

- (c) The changes in funding outlined above mean that as shown in **Appendix C** the Council is in a position to fully charge for the non-support element of the service charge with all residents actually paying significantly less in total each week than at present.
- (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. For this reason the charges for tenants and leaseholders on the same scheme will always differ with leaseholders paying a higher charge than tenants.
- (e) The proposed charges shown in **Appendix C** are an average across all schemes, and because the estimated costs vary by scheme so too will the charges, largely depending on the number of properties and the facilities provided; however, even residents on the most expensive scheme will see a reduction in their charge.

**CAPITAL ESTIMATES:
REVISED 2011/12 AND ESTIMATES 2012/13 TO 2016/17**

31. The General Fund capital programme for this portfolio is attached at **Appendix B** and is comprised mainly of:
- (a) Capital Apportionments of HRA Expenditure
 - (b) Repurchase of General Fund Sheltered Properties
 - (c) Grants to Housing Associations
 - (d) Empty Homes Grants
 - (e) Improvement Grants/Loans

Comments on the individual estimate matters are given in the following paragraphs.

- (a) Capital Apportionments of HRA Expenditure:
Where capital expenditure on the HRA is of benefit to nearby ex-Council or other private properties a portion of the cost is funded from the General Fund. A contribution is made to the HRA to reflect this.
- (b) Repurchase of General Fund Sheltered Properties:
 - (i) This budget is for the repurchase of shared ownership properties previously sold under the Council's equity share for the elderly scheme. Whilst the leases being granted under this scheme no longer require the Council to repurchase the properties the majority of existing leases do have such a requirement.
 - (ii) In 2010/11, the Secretary of State of Communities and Local Government allowed the Council to remove most the sheltered equity share properties from the HRA to the General Fund and as a consequence any proceeds from sales of these particular properties will no longer be subject to pooling. In future years the scheme should be mostly self-funding, albeit with timing difference, as the receipts from the resale of the repurchased dwellings can be used to fund further repurchases.

(iii) When General Fund properties are sold on the open market there are some transaction costs and, in the current economic situation, where a returned property has not been sold for some time, there may be a reduction in the valuation resulting in properties being sold for less than the purchase price.

(c) Grants to Housing Associations:

A considerable sum is expected to be received as a consequence of Section 106 agreements in relation to developments in the area. This money is ring fenced for social housing and, unless it is spent within a defined period (normally 3 to 5 years), can be reclaimed by the developer. It is proposed that £1.8 million will be used over the next five financial years to provide partial funding for Housing Association 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.

(d) Empty Homes Grants:

This is funding for a scheme whereby private owners will be able to access grants to enable them to bring their empty homes back into use. In turn the properties are to be leased through the private sector leasing scheme with King Street for our homeless families. This scheme will also be funded from 106 monies.

(e) Improvement Grants:

Whilst the other improvement grants are discretionary and can potentially be rationed, the disabled facilities grants are mandatory. Although there is some support from central government for this expenditure it does not increase in line with expenditure. It is difficult to arrive at a reliable estimate for improvement grants because of the demand led nature of the expenditure, the reliance on outside contractors and the availability of the County Council's occupational health officers.

32. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2010/11 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 the housing general fund are attached at **Appendix D (1-7)**

33. The overall capital programme for the Council will be subject to further consideration by Cabinet and Council. Both the expenditure and funding could, therefore, be subject to change.

Implications

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| Financial | <p>(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.</p> <p>(b) The Capital Estimates for this Housing General Fund will be included in the Council's Capital Programme.</p> |
| Legal | <p>There are no direct legal implications resulting from this report. The estimates show the financial effect of decisions that have already been made.</p> |

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| Staffing | The estimates reflect staffing decisions previously made with the addition of the net cost of two extra posts to be funded from the £49,000 that Cabinet agreed in January 2011 as additional resources for preventative measures in relation to homelessness. |
| Risk Management | These estimates need to be endorsed so that they can be included in the General Fund Summary to be presented to Cabinet and confirmed by Council in February 2011. |
| Equality and Diversity | There are no direct equality and diversity implications resulting from this report. Equality and diversity issues will have been considered in the decisions which these estimates reflect. |
| Equality Impact Assessment completed | No As above. |
| Climate Change | There are no direct climate change implications resulting from this report. Climate change issues will have been considered in the decisions which these estimates reflect. |

Consultations

35. 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.

Consultation with Children and Young People

36. None

Effect on Strategic Aims

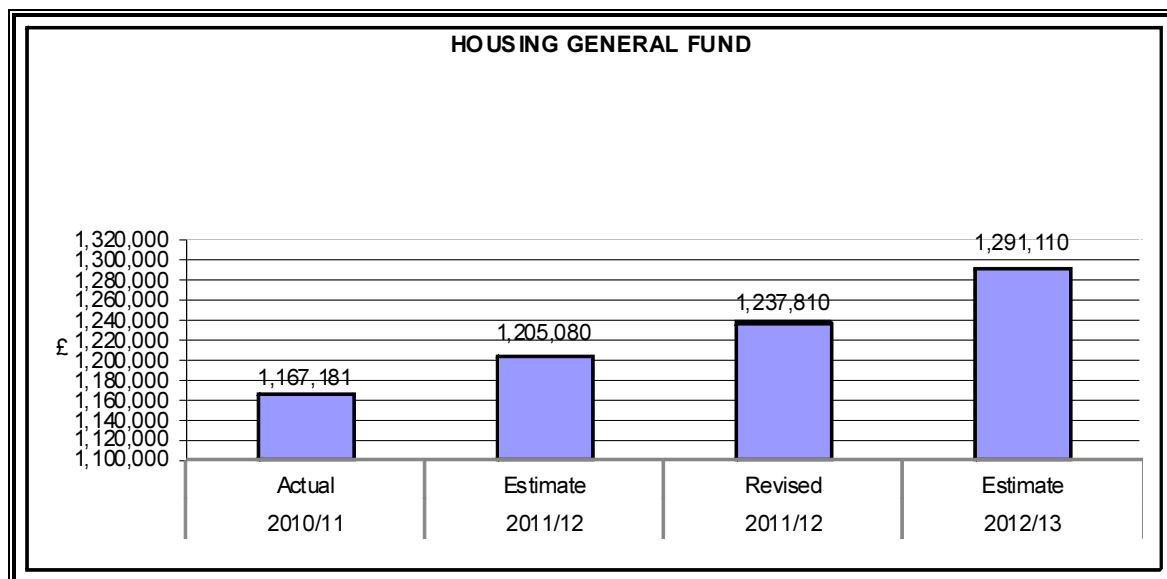
37. To determine the General Fund Housing Portfolio budgets to provide the resources for the Council to continue its services to achieve its strategic aims as far as possible within the current financial constraints.

Conclusions / Summary

38. 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 £ | Change £ | Change % |
|------------------|-----------|------------|----------|
| 2010/11 Actual | 1,167,181 | | |
| | | + 37,899 | + 3.2 |
| 2011/12 Estimate | 1,205,080 | | |
| | | + 37,730 } | + 2.7 |
| 2011/12 Revised | 1,237,810 | } + 70,629 | } + 6.1 |
| | | + 53,300 } | + 4.3 } |
| 2012/13 Estimate | 1,291,110 | | |

These comparisons are shown diagrammatically below:



39. The increase in expenditure between the 2011/12 and 2012/13 estimates can be largely accounted for by the inclusion of £49,000 in 2012/13 for additional preventative work on homelessness, approved by Cabinet in January 2011.

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

Estimates files within Accountancy Services

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