

Report to the Cabinet

Report reference: C-016-2008/09.

Date of meeting: 14 July 2008.



**Epping Forest
District Council**

Portfolio: Housing.

Subject: Private Sector Grants – Capital Programme.

Responsible Officer: Alan Hall (01992 - 564004).

Democratic Services Officer: Gary Woodhall (01992 - 564470).

Recommendations:

- (1) That the capital under-spend on Disabled Facilities Grants (DFGs) and other Private Sector Grants (PSGs) in 2007/8, and the likely under-spend in 2008/9 and future years, be noted;**
- (2) That the Cabinet reviews the Council's Private Sector Housing Strategy later in the year, and re-assesses at that time the likely amount of capital funding required to deliver the strategy;**
- (3) That the budget provision for DFGs and PSGs within the Housing Capital Programme be re-profiled as shown in the Appendix, including the introduction of a Private Sector Capital Contingency of £310,000 for three years from 2009/10;**
- (4) Subject to the views of the Housing Scrutiny Panel on the use of the £300,000 per annum available resources in the HRA, £864,000 of the anticipated under-spend on DFGs and PSGs be re-allocated within the Housing Capital Programme for off street parking (£288,000 per annum from 2009/10); and**
- (5) That the Cabinet reviews the future budgetary position for DFGs, PSGs, the Private Sector Capital Contingency and off street parking around October 2009.**

Executive Summary:

A review has been undertaken of the capital budgets for disabled facilities grants and other private sector grants, which anticipate significant under-spends in future years based on current spend. A review of the Private Sector Housing Strategy is proposed for later in the year, which is likely to result in increased expenditure than currently, but still less than the current budget.

The report proposes a re-profiling of the capital budget, and the introduction of a Private Sector Housing Contingency. It is proposed that, subject to the views of the Housing Scrutiny Panel, the remaining anticipated under-spend of £288,000 per annum from 2009/10 be used to match-fund a similar amount that is likely to be made available from the HRA for off-street parking on Council estates, to help alleviate the increasing problem of greater car ownership.

Reasons for Proposed Decision:

It is important to ensure that the Capital Programme reflects likely capital expenditure. The Private Sector Housing Strategy is to be reviewed, which may result in additional expenditure. There is a need to increase expenditure on providing off street parking schemes.

Other Options for Action:

The main options are:

- (i) the budget could remain as previously set;
- (ii) the proposed Private Sector Housing Contingency could be not introduced, or set at a lower or higher amount;
- (iii) a lesser or higher amount could be utilised for off street parking; or
- (iv) the likely under-spend could be utilised for other capital projects, or retained in balances resulting in increased investment income.

Report:

Introduction

1. Following the transfer of responsibility for the Private Sector Housing function from the Environment & Street Scene Directorate to the Housing Directorate in April 2008, a review has been undertaken of the budgets and expenditure in respect of private sector capital grants. There are two categories of grant that this report covers:

- (a) Disabled Facilities Grants (DFGs); and
- (b) Private Sector Grants (PSGs).

2. Until 31 March 2008, the Government's Department for Communities and Local Government (CLG) would fund 60% of DFG expenditure (up to a specified maximum amount, which varied from year to year) and the Council was expected to fund the remaining 40% (plus any expenditure above the maximum amount provided by CLG) - *But see Paragraph 14 below*. From April 2008, although the CLG is continuing to provide funding for DFGs, this is no longer 60% of the expenditure, but a specified amount.

3. From 2006/7, the CLG has provided significant levels of funding for PSGs as follows:

2006/7	£447,000
2007/8	£226,000
2008/9	£217,000
Total	£890,000

4. It is not known if the CLG will fund PSGs from 2009/10 onwards. For budgetary purposes, it has been assumed that no CLG funding will be forthcoming.

5. In addition, the Council has also made funding available for PSGs. However, due to staffing shortages in the Private Sector Housing Section, only £77,000 of the £890,000 CLG funding has been spent since April 2006, and only £44,000 of the Council budget has been

spent. Consequently, in the past, the budget balance has been carried forward and re-profiled to be spent over a number of years.

6. Attempts have been made to find out from GO-East if there are any ramifications of the CLG funding not being spent in the required years (i.e. 2006/07 to 2008/09). However, no clear response has been received and it seems that, provided that it is spent at some time, it will not be reclaimed from the Council. However, this cannot be guaranteed.

7. The main reason for DFGs and PSGs being underspent is a combination of:

(a) the Cabinet only partially agreeing the Private Sector Housing Strategy, and not making the required staffing resources available (due to uncertainty of the costs of the waste management contract at that time);

(b) the inability to recruit to the one additional FTE post agreed by the Cabinet, despite a number of attempts;

(c) a relatively high level of grant provided by CLG, compared to the level of demand (although the availability of grants has not been well publicised, due to the shortage of staffing resources); and

(d) CLG not allowing any of its PSG funding to be spent as revenue expenditure, to fund additional staff costs to spend their capital allocation.

Future Budget Requirements

8. Having compared the budget provision in the Capital Programme agreed by the Cabinet in October 2007 with likely expenditure in 2008/09 and beyond, it has been concluded that, under current circumstances, expenditure will be lower than the budget provision. However, as explained earlier, when the Cabinet considered the Private Sector Housing Strategy in 2006, it could only partially approve the Strategy. In any event, once the new Assistant Director of Housing (Private Sector and Resources) is in post, there is an intention to review the Private Sector Housing Strategy, make a number of changes and seek the Cabinet's approval to a revised Strategy, which may well result in the need for a higher budget than currently anticipated (based on current expenditure), but still less than the current budget.

9. It is therefore proposed that the main budget provision should be reduced in 2008/09 and future years, but that a "Private Sector Housing Contingency" be introduced within the Capital Programme that will be available for the Cabinet to utilise, if necessary, when it reviews the Private Sector Housing Strategy later in the year and considers the capital resourcing requirements to fund the revised strategy.

10. Clearly, the first priority in assessing the required budget for future years is to ensure that the Council utilises the Government funding – for both DFGs and PSGs. The Council can then fund the difference (gap-fund) between the anticipated expenditure and the Government Funding, as well as the proposed Private Sector Housing Contingency if necessary.

11. The Appendix to this report shows the following:

(i) the Approved Capital Programme for DFGs and PSGs (split between DCLG / GO-East funding and EFDC funding);

(ii) the latest estimate of expenditure (again split between DCLG / GO-East and EFDC);

- (iii) the proposed Private Sector Housing Contingency; and
- (iv) the proposed saving to the Council per annum for both DFGs and PSGs, compared to the currently approved Capital Programme, and after taking account of the Private Sector Housing Contingency.

Disabled Facilities Grants (DFGs)

12. The CLG has allocated £289,000 for disabled facilities grants in 2008/09. For budget purposes, it is assumed that this level of CLG funding will continue in future years. The current anticipated budget requirement for DFGs in 2008/09 and future years is £400,000 per annum, compared to the previous estimate of £500,000 per annum (£632,000 in 2008/09). As a result, the gap-funding required from the Council is £110,000 per annum (compared to £350,000 - £400,000 per annum in the currently approved Capital Programme).

13. On this basis, including the Council underspend of £249,000 in 2007/08, the saving to the Council over the five-year period will be £1.258m.

14. Although, up to April 2008, the CLG has provided 60% of the funding for DFGs, in January 2007, CLG advised that the Council would receive £232,500 from them towards DFGs in 2007/08. In January 2008, a further letter was received, advising that the CLG's contribution in 2007/08 would be increased to £253,500, and this amount has actually been paid to the Council. Despite discussions with officers in CLG, it is not at all clear whether the Council is entitled to all of this money, or just 60% of the actual expenditure (i.e. £188,000), with the difference having to be repaid. For budgetary purposes, it has been assumed that the Council will only be entitled to £188,000, but if this results not being the case, there will be a further Council saving of £65,500 to that shown in the Appendix.

Private Sector Grants (PSGs)

15. Assuming that an appointment can be made to the vacant Private Sector Housing post, it is currently anticipated that the Council will spend around £280,000 on PSGs in 2008/09 and £350,000 per annum in future years. It is therefore proposed that the balance of the funding received from the CLG (£813,000) be spread out over a four-year period, instead of a two-year period as previously profiled. As a result, the required gap-funding from the Council is £147,000 per annum (£76,000 in 2008/09).

16. Therefore, including the Council underspend of £31,000 in 2007/08, the saving to the Council over the five-year period is £546,000. It is important to note that the main risk to this under-spend situation is that the CLG could become concerned about the lack of spend of the resources it has allocated (and has actually paid to the Council) for PSGs, and take the view that it is not needed by the Council and reclaim the money.

Private Sector Housing Contingency

17. As can be seen from the Appendix, the total saving to the Council over the five-year period covered in the Appendix is around £1.8m. However, for the reasons set about above, it is proposed that £930,000 of this be allocated to the Private Sector Housing Contingency, spread over a three year period from next year at £310,000 per annum.

18. Members will be aware that the Cabinet has asked the Housing Scrutiny Panel to consider the best use of an additional £300,000 per annum identified within the *Housing Revenue Account* for the three-year period 2009/10 to 2011/12, due to the Council restructuring its rents by 2012, instead of 2017. The Cabinet has suggested that this could

be utilised to accelerate the off-street parking programme on Council estates. The Scrutiny Panel has given initial consideration to this issue and, although minded to recommend that the additional £300,000 be spent on off-street parking, has deferred a decision until its next meeting on 3rd July 2008, following a consultation exercise with all members via the Council Bulletin. The Scrutiny Panel's recommendation will be formally reported on to the Cabinet in September, but an oral report can be given at this Cabinet meeting.

19. However, if this additional £300,000 HRA funding is to be spent on off street parking, in accordance with accounting policy, it needs to be match-funded with a similar amount (£288,000 per annum) from the General Fund Capital Programme, since around 49% of all properties on Council estates have now been sold.

20. Therefore, the remaining £864,000 of the private sector grants under-spend could be utilised for additional off street parking over the three-year period 2009/10 - 2011/12.

21. In addition to the existing combined HRA/General Fund budget of £80,000 per annum for off street parking, an annual budget of £668,000 per annum for three years would result.

Review of Budgetary Provision

22. It is suggested that the Cabinet reviews the future budgetary position for DFGs, PSGs, the Private Sector Capital Contingency and off street parking around October 2009.

Resource Implications:

As set out in detail in the main report. Likely under-spend of around £1.8m over a three-year period.

Legal and Governance Implications:

Regulatory Reform (Housing Assistance) Order 2002.
Housing Act 1985.

Safer, Cleaner and Greener Implications:

The proposed expenditure on off-street parking would result in a safer and cleaner environment on the Council's housing estates, since cars that are currently parked on grassed verges and other grassed areas would cause less of a danger. Although the provision of off-street parking would reduce the amount of green areas on estates, overall, it will make estates more attractive.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

The main risk is that the CLG could have concerns about its funding for private sector grants not being spent in the years it was allocated and reclaim some of the funding. However, since the under-spends in the first two of the three-year funding has already occurred, there is little that can now be done to mitigate this risk in any event, although the risk may be

reduced if the Council spent the CLG grants as quickly as possible on DFGs and PSGs.