

## **Report to the Cabinet**

**Report reference:** C-037-2008/09  
**Date of meeting:** 12 October 2009



**Portfolio:** Housing.

**Subject:** Re-phasing the five-year Capital Funding Programme for Private Sector Housing.

**Responsible Officer:** Lyndsay Swan (01992 564146).

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

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### **Recommendations/Decisions Required:**

- (1) That the anticipated income and expenditure on Disabled Facilities Grants and other Private Sector Grants in 2009/2010 be noted;**
- (2) That the budget provision for Disabled Facilities Grants and other Private Sector Grants within the Housing Capital Programme be re-phased as shown in the Appendix; and,**
- (3) That the future budgetary position for Disabled Facilities Grants, other Private Sector Grants, the Private Sector Capital Contingency and off-street parking be reviewed in twelve months.**

### **Executive Summary:**

The capital budgets for Disabled Facilities Grants (DFGs) and other Private Sector Grants (PSGs) were re-phased in 2008 to re-allocate significant anticipated under-spends. A 'Private Sector Capital Contingency' was set up to protect against the risk that remaining funds should prove insufficient to meet demand over the three-year period until 2012. The Report proposes a further re-phasing of the budget to take account of the different factors that will affect expenditure until 2013.

### **Reasons for Proposed Decision:**

It is important to ensure that the Capital Programme reflects likely capital expenditure. A number of factors are likely to result in a change to the profile of capital funding requirements over the period of the programme.

### **Other Options for Action:**

The main options are:

- 1) The budget could remain as previously set;
- 2) The unallocated capital contingency could be re-allocated to other capital projects.

### **Report:**

1. Following the corporate restructure in May 2008, a review was undertaken of the capital budgets for DFGs and other PSGs. Anticipating a significant under-spend in future

years based on expenditure at that time, the Cabinet agreed to the re-phasing of the capital budget with the resulting surplus being allocated to off-street parking on Council estates.

2. In case the remaining budget over the term of the programme should prove insufficient as a result of a future increase in demand, it was agreed to set up a 'Private Sector Capital Contingency' of £930,000; £310,000 each year over the three year period from 2009-2012. The Cabinet agreed the proposal in July 2008 and further agreed that the future budgetary position for DFGs, PSGs, the Private Sector Capital Contingency and off-street parking be reviewed around October 2009.

3. Members were advised that once the new Assistant Director of Housing (Private Sector and Resources) was in post, there would be a need to review the Private Sector Housing Strategy which might result in further implications for the budget. There is a Report elsewhere on the Agenda recommending that the provisions of the existing Private Sector Housing Renewal Strategy is extended until 2011 to facilitate the development of a new Strategy. It is not necessary, therefore, to revise the budget at this stage to take account of changes to the Strategy. However, the Capital Programme does need to be re-phased again to take account of a number of factors that are likely to effect the requirements for capital funding in order to avoid insufficient funds being available to meet demand for grants.

4. The Appendix shows the approved and proposed Capital programme for DFGs and PSGs respectively, for the period up to 2012/13 in the context of Government funding, the funding that the Council has provided, sums carried forward and the Capital Contingency. The factors that have resulted in this further re-phasing of the budget being necessary are outlined below:

#### Disabled Facilities Grants (DFGs)

5. Government funding for DFGs comes via Communities and Local Government (CLG). In 2008/09 the Council actually received £300,000 towards DFGs, although a figure of £289,000 was originally offered. An underspend of £66,000 was also rolled forward from 2007/08. It was only possible to utilise £206,000 of the total amount within the year, however, and the figure has to be reduced by £97,000 the Council will be expected to repay to the CLG. This repayment has been taken into account in the Appendix. Furthermore, as there was no indication to the contrary, when the budget was profiled in 2008, it was assumed that a similar amount as was originally offered 2008/09, £289,000, would also be received in 2009/10. This has proved not to be the case and, instead, an amount of £240,000 has been received, a reduction of almost £50,000.

6. As individual grant applications are essentially initiated by County Council Occupational Therapists (OTs), actual demand for DFGs may be affected by internal factors in the O.T. team and is, therefore, very difficult to gauge. Assessing likely spend is made more difficult by the long timescales associated with the more complex, and generally more costly, adaptations. Outturn may also be affected by changes in the legislation governing the provision of DFGs.

7. The anticipated budget requirement for DFGs since 2008/09 and for future years has been £400,000 per annum. Expenditure in 2008/09 was slightly less than this at £365,000 but it would be very difficult to say with any degree of certainty how much expenditure is likely to be in future for the reasons given above. Although, due to budget brought forward from 2008/09, the budget for 2009/10 stands at £435,000, it is unlikely that any more than £400,000 will be required.

8. Given the expected reduction in CLG grant to fund DFGs, additional capital funding of around £185,000 will be required to finance the grant programme. However, as contingency funding of £310,000 exists in 2009/10, it is proposed that this be reduced by £185,000 and the associated funding allocated to DFGs to make up the shortfall.

## Private Sector Grants (PSGs)

9. In addition to the funding made available for DFGs, from 2006/07 the CLG also provided significant levels of funding for PSGs as follows:

<b>Year</b>	<b>Amount £</b>
2006/2007	446,775
2007/2008	226,374
2008/2009	216,800
2009/2010	123,594
<b>TOTAL</b>	<b>£1,013,543</b>

10. At April 2009, only £425,000 of the £1,014,000 CLG funding has been spent. There are a number of reasons for this, including staffing shortages and the Cabinet not being able to agree full implementation of the Private Sector Housing Renewal Strategy. As a result of the 2008 review of the Capital programme, the budget balance at that time was carried forward and re-phased to be spent over a number of years.

11. When the re-phasing was carried out in July 2008, on the basis of demand at that time, a budget of £280,000 was allocated for PSGs in 2008/09, and £350,000 annually for the next three years. However, as a result of a subsequent increase in demand, expenditure in 2008/09 actually exceeded this by £68,000; approval was granted for this sum to be brought forward from the Private Sector Capital Contingency which had previously been set aside for 2009/10. It is anticipated that expenditure will continue at an estimated £350,000 per year from 2009/10 onwards.

12. It was also not certain at the time the re-phasing was carried out whether the CLG would continue to provide funding for PSGs and, in order to avoid a funding shortfall, it was assumed that PSGs would have to be funded in full by the Council. This proved not to be the case, however, and a further contribution of £123,594 was received in 2009/10. While the CLG has confirmed verbally that it will provide funding for PSGs in 2010/11, indications are that this will be a much reduced amount. This might lead to the assumption being made that the CLG will make no further funds available for PSGs after 2010/11, as represented in the Appendix.

13. This sequential reduction in funding allocations may be evidence of a Government incentive to encourage local authorities to develop private sector housing assistance policies that will effectively re-cycle funds, such as those based on loans and/or equity release. Early in 2008, the East of England Regional Assembly (EERA), through which private sector housing funding is channelled, announced that it would be attributing part of the funding pot to exploring the potential for a regional loan/equity release scheme. Unfortunately, however, as a result of the subsequent down-turn in the market and poor access to credit, EERA now consider that it is currently not appropriate to plan to pursue this further in the short-term.

14. There is a danger that unless funds are re-cycled, all PSG funding will have to come from the Council's own resources. The Report elsewhere in the agenda previously referred to, recommends that a Private Sector House Condition Survey should be carried out in 2010. The consultants chosen to carry this out will be asked to make recommendations on a new Housing Assistance Policy that will include measures to re-cycle funding. However, it will not be possible to implement a new Policy until after the House Condition Survey has been carried out. Any new types of assistance to re-cycle funds will be unlikely to produce results until early in 2012 at the earliest, and for this reason it is recommended that the Contingency monies be rolled forward an additional year into 2012/13 as shown in the Appendix.

15. 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 - 2009/10). 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. It should be made clear, however, that this cannot be guaranteed.

16. Given the uncertainty surrounding future grant, additional funding of £147,000 is estimated to be required. It is proposed that this be taken from the Private Sector Capital Contingency in the same way as for DFGs, leaving the Contingency funding for 2009/10 £22,000 in deficit. Since no further Capital provision is required for Private Sector Housing, there is no need to increase Private Sector Housing budgets overall, and no need to utilise any of the budget allocation for off-street parking which is the issue that Cabinet wanted to review. It is proposed, however, that the future budgetary position for DFGs, PSGs, the Private Sector Capital Contingency and off street parking be further reviewed in October 2010 approximately.

#### Future Budget Requirements

17. Clearly, the first priority in assessing the required budget for future years is to ensure that the Council maximises use of the Government funding for both DFGs and PSGs. The Council can then gap-fund the difference between the anticipated expenditure and the Government funding using contingency funding if necessary.

18. The Capital programme needs to be re-phased to take account of these factors and to avoid a situation where there are insufficient funds to meet demand for financial assistance.

#### **Resource Implications:**

As set out in detail in the main report.

#### **Legal and Governance Implications:**

Housing Grants Construction and Regeneration Act 1996 (as amended)  
Regulatory Reform (Housing Assistance) Order 2002  
Housing Act 1985

#### **Safer, Cleaner and Greener Implications:**

Private Sector Housing Grants include measures to improve the energy efficiency of homes in the private sector in order to reduce fuel poverty and cut carbon emissions.

#### **Consultation Undertaken:**

None.

#### **Background Papers:**

None.

#### **Impact Assessments:**

There is a risk in 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 years of the 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.

There is a danger that all PSG funding will have to come from the Council's own resources unless funds are re-cycled. Measures are in place to develop a Housing Assistance Policy that will do this although this is not likely to reap any benefits until 2012 at the earliest. It is recommended that the contingency monies are profiled into 2012/13 for this reason.

The Private Sector Renewal Strategy will have a positive impact on those groups that are considered vulnerable, such as older people and families on low incomes and disabled people. There is no impact on the Council's statutory duty to promote equality.

<b>DISABLED FACILITIES GRANTS</b>	<b>2007/08 Actual £000</b>	<b>2008/09 Actual £000</b>	<b>2009/10 Forecast £000</b>	<b>2010/11 Forecast £000</b>	<b>2011/12 Forecast £000</b>	<b>2012/13 Forecast £000</b>	<b>4 Year Total £000</b>
<b>APPROVED CAPITAL PROGRAMME</b>							
DCLG Grant Funded DFGs	188	206	373	290	290	290	<b>1,243</b>
EFD Council Funded	126	159	62	110	110	110	<b>392</b>
Total Disabled Facilities Grants	314	365	435	400	400	400	<b>1,635</b>
<b>REVISED PROGRAMME (JULY 2009)</b>							
DCLG Grant Funded DFGs	188	206	303	240	240	240	<b>1,023</b>
EFD Council Funded	126	159	97	160	160	160	<b>577</b>
Total Disabled Facilities Grants	314	365	400	400	400	400	<b>1,600</b>
Additional Capital Receipts Required			35	50	50	50	<b>185</b>
<b>OTHER PRIVATE SECTOR GRANTS</b>	<b>2007/08 Actual £000</b>	<b>2008/09 Actual £000</b>	<b>2009/10 Forecast £000</b>	<b>2010/11 Forecast £000</b>	<b>2011/12 Forecast £000</b>	<b>2012/13 Forecast £000</b>	<b>4 Year Total £000</b>
<b>APPROVED CAPITAL PROGRAMME</b>							
GO East Funded Grants	77	348	127	203	203	203	<b>736</b>
EFD Council Funded	44	0	223	147	147	147	<b>664</b>
Total Other Private Sector Grants	121	348	350	350	350	350	<b>1,400</b>
<b>REVISED PROGRAMME (JULY 2009)</b>							
GO East Funded Grants	77	348	350	239	0	0	<b>589</b>
EFD Council Funded	44	0	0	111	350	350	<b>811</b>
Total Other Private Sector Grants	121	348	350	350	350	350	<b>1,400</b>
Additional Capital Receipts Required			-223	-36	203	203	<b>147</b>
Approved	0	68	242	310	310	0	<b>862</b>
Adjustments re GO East Grant	0	0	188	-14	-253	-253	<b>-332</b>
Re-phasing	0	0	-430	-116	123	423	<b>0</b>
Balance Remaining	0	68	0	180	180	170	<b>530</b>