

HOUSING DEPARTMENT

REVENUE BUDGET STRATEGY 2003/04 – 2005/06

1. INTRODUCTION

- 1.1 The Housing Department operates a statutory ring-fenced Housing Revenue Account (HRA) in addition to services provided under the General Fund. This Revenue Budget Strategy considers both the HRA and the General Fund.

2. DEPARTMENTAL STRUCTURE AND BASE BUDGET

- 2.1 The Department operates through four Branches. The Management and Maintenance Branches are mainly charged to the Housing Revenue Account, the Development and Renewal and Rehousing Branch is dedicated to the General Fund (GF) and the Resources Branch is split between the two (HRA and GF).
- 2.2 Overall, the Department employs c1300 people and spends £167m per year on its services. The service is predominantly decentralised and staff operate from 27 locations across the City. An outline of the Department's senior management structure is shown at Appendix 1 for Members information.
- 2.3 The Department's 2003/04 budget for the HRA is shown in Appendix 2 and the General Fund's 2002/03 budget is shown in Appendix 3 for Members information.

3. MAJOR ISSUES FACING THE DEPARTMENT

3.1 HOUSING REVENUE ACCOUNT (HRA)

- 3.1.1 The bulk of the revenue expenditure by the Housing Department is on the Council's landlord function for 24,600 houses, flats and maisonettes, which are financed through rents in the Housing Revenue Account. The budget for 2003/04 shows the following breakdown of expenditure:-

	<u>£m</u>
Landlord services	14.1
Revenue Repairs	19.3
Capital financing charges	15.0
Negative subsidy	11.0
Total	59.4

- 3.1.2 An additional £19 million from the capital programme will be spent on catch up repairs, planned maintenance, disabled adaptations and environmental works.
- 3.1.3 For the three years prior to 2002/03, the Council's rent strategy was to get to a position where rent cap penalties would no longer apply. This was achieved through two years of rent freeze and finally a rent reduction of 1% for 2001/02.
- 3.1.4 With the commencement of the Government's rent restructuring policy in 2002/03, the council (in common with all other local authorities and Registered Social Landlords) will, because of penalties, have in effect less discretion in the rent setting process. Rents will, in future, be set according to a centrally prescribed formula based upon local earnings levels and relative property values. A tolerance of +/- 5% will be permitted around formula rent levels, assuming this is financially neutral overall. Authorities exceeding these tolerance levels, or generally not making the progress expected by government towards formula rents will be penalised through the Housing Subsidy system; particularly with the introduction of a property specific rent capping system in 2004/05.
- 3.1.5 A notable feature of rent restructuring is that local authority rents will have above inflation increases for the next 9 years, as the government seeks to bring them in line with Registered Social Landlord rents. In Leicester's case, average HRA rents will increase by some 3.5% per annum (assuming inflation of 2.5% per annum). However, around these average rent increases, there will be substantial variations in the rent charges applicable to different types of property as their rents move towards the new formula levels.
- 3.1.6 In line with DTLR requirements, the Housing Department submitted its HRA Business Plan in July 2002. A summary is shown below:

3.1.7 **Summary/Overview of the HRA Business Plan**

Leicester City Council's HRA Business Plan sets out its aims and objectives as a social landlord. It has been prepared in conjunction with tenants' groups and other stakeholders.

Its main findings and conclusions are as follows:

The Council has sufficient financial resources to meet the decent homes standard by 2010 as well as the 2004 interim target. This is based on many assumptions including:

- a) Capital Resources through Credit Approvals continuing to be made available to finance the Housing Capital Programme, and
- b) The Government continuing to support housing through the MRA and subsidy system; particularly with regard to management and maintenance allowances.

Ongoing capital investment is expected to result in a reduction in responsive repairs of 5% for the next 2 years, then 2.5% for the following 2 years and 1% after this.

The continuing well above inflation price increases in the external building trade are a cause for concern. The council's in-house maintenance service is important in ensuring value for money.

In accordance with Government expectations, as part of the Business Planning process, the Council will commission an Options Appraisal for different forms of service delivery.

Demand. The 2002 Housing Needs Survey has recently been received and requires further analysis. Initial findings are that overall there is a strong demand for social housing although there are areas of under and over provision.

Important areas for current and future action are:

- a) The implementation of rent restructuring,
- b) Dealing with Anti Social Behaviour,
- c) Revitalising Neighbourhoods including investment in environmental works, improving lives of local communities and improving community involvement

Particular areas for Performance Improvement are:

- a) Reducing rent arrears,
- b) Raising tenant satisfaction levels,
- c) Improving the quality of service from local housing staff, particularly in the specific areas identified by tenants' representatives,
- d) Reducing average re-let times.

3.2 Housing Revenue Account Budget 2003/2004

- 3.2.1 The figures attached at Appendix 2 set out the budget for 2003/04. Reductions of £1m were applied to limit the extent of the gap between expenditure and income.
- 3.2.2 No service developments have been included. Rents for 2003/04 have been increased by 2.68%. This is in line with Government guidelines.

3.3 **GENERAL FUND**

3.3.1 General Fund resources provide for the Council's statutory duties under Homelessness, Hostels, Renewal, Housing Strategy and Housing Benefit.

3.3.2 LeicesterCare comprises three separate services, each with their own distinct purpose, as follows:

- Sheltered Housing – to provide independent, safe, secure, accommodation for older and vulnerable people with communal services and additional support provided by LeicesterCare staff at eighteen sites across the City;
- LeicesterCare Emergency Alarm Service – to provide emergency alarms and other personal protection equipment to older, disabled or vulnerable people, victims of domestic violence, racial harassment and anti-social behaviour, respond to any emergency calls received and take appropriate action contributing to the individual being supported in remaining in their own home for as long as they are able, and also on a chargeable basis providing these services to other landlords and corporate customers;
- LeicesterCare CCTV/Concierge Service – to provide surveillance activity on Leicester City Council housing estates, Sheltered Housing Units, and other Housing Department properties, thus providing a safe, secure environment for individuals who visit, work or live in the area and freedom from the fear of crime, and secondly, to provide controlled access to Housing Department properties fitted with secure door entry systems.

3.3.3 Housing Advice and Rehousing Service

The purpose of the service is to help to prevent homelessness, to rehouse or find accommodation for customers who have a high level of need, to enable private sector tenants to exercise their rights, and to ensure that the allocation of council housing and nominations to Housing Associations are on the basis of housing need and in line with legislative guidelines.

3.3.4 Housing Benefits

The Benefits Section makes payments to eligible individuals. It has had a difficult period resulting from problems implementing a Document Management System and the Government's Verification Framework. This resulted in a substantial backlog of work. However a series of initiatives have been introduced and the backlog has been cleared.

3.3.5 Council Tax

Council Tax has recently transferred from Resources, Access & Diversity to the Housing Department. A major investment in new IT systems is currently underway which will enable the section to deliver improved services at a lower cost.

3.3.6 Renewal

The overall aim of the service is to improve private sector housing and its environment. It does this primarily through tackling unfitness and disrepair in low income and vulnerable, owner-occupier, households through the provision of Renovation Grants.

It also carries out environmental works in Renewal Areas and provides disabled facilities grants and home repair grants and advice across the City. The service has successfully overseen significant improvements to large areas of the inner City and this has arguably contributed to the generally harmonious relationships between different groups within the City. The service is, however, significantly dependent on capital allocations from the Single Pot and it should be noted that spend on Renewal has a 12 month lead in period between approval and completion, therefore, a high level of commitments will apply in any one year.

It has been estimated that there is a backlog of some £415 million of work in the City that needs to be tackled through the declaration of new Renewal Areas; although it is estimated that only £205m would fall to be met from renovation grants.

Given the size of this backlog, the Renewal Programme continues to tackle poor housing conditions in the private sector on an area by area basis (to ensure maximum impact and as part of an overall strategy to regenerate an area). The city wide Home Maintenance Service is used to support low income and vulnerable households who live outside Renewal Areas in maintaining their homes and supporting independent living.

Disabled Facilities Grants are provided in response to recommendations from Social Services and are subject to a specific grant from Central Government. They are mandatory and must be approved within statutory time-scales. Demand continues to rise and continues to exceed available resources.

3.3.7 Hostels and Community Care

The Section provides services to vulnerable people either through the provision of hostels, supported housing and floating support or through help and support from the Community Care Team. The Department is investigating the benefits and costs of opening a new Multi-Disciplinary Service. It is currently working on identifying and obtaining the necessary funding. Any decision would be subject to committee approval.

4. **CABINET LEAD MEMBER PROPOSALS**

4.1 Details of General Fund growth and reduction proposals are shown at Appendix 4.

4.1.1 The position with regard to the new 'Supporting People' funding regime has yet to be finalised. Discussions with other departments and lead members are ongoing.

4.2 **The Housing General Fund pressures are the result of :**

4.2.1 Increased Use of Temporary Accommodation (inc Bed and Breakfast) (£190k).

The Housing Department attempts to minimise the use of Bed & Breakfast accommodation. However, for the first time in 10 years it is being used regularly to accommodate homeless families while investigations are being carried out and while approved families are waiting for an offer of accommodation. The Housing Act 1996 (amended by the Homelessness Act 2002) and the extension of the priority needs order places additional responsibilities on local housing authorities to assist those who apply and who are homeless or threatened with being made homeless. The increase in homelessness in the City partly due to persons from abroad particularly Europe and the decrease in council and RSL lettings have resulted in substantially increased costs.

4.2.2 Housing Options Officers (60k)

Additional staff are required to deal with the substantial (20%) increase in customers who need advice on social housing. This is a demand led service associated with item 4.2.1 above. The Housing Department has duties under the Housing Act 1996 to provide advice and information about homelessness and the prevention of homelessness. Moreover, the Homelessness Act 2002 and Priority Needs Order has placed additional duties and obligations on the Department to assist applicants falling within the homelessness provisions.

4.2.3 Council Tax – Interest on £1m Loan (£70k)

The Council has been allocated an unsupported capital allocation of £1 million to replace and improve the Council Tax computer systems. This will lead to improved customer service and lower administration costs. The ongoing interest on this loan is set at 7% which equates to £70k per annum.

4.2.4 Budget Reduction Requirement (£120k)

In addition to the above demand led pressures, the Department's DRS budget reduction has been set at £120k.

4.3 As a result of the above the Department has to make budget savings of :

4.3.1 Hostels Savings (£210k)

These savings will result from savings in expenditure and increased rent due to high occupancy levels and increased charges.

4.3.2 Savings from Housing Benefit and Council Tax Efficiencies (£145k)

The Housing Benefit and Council Tax services are in the process of being amalgamated, including an integrated computer system. As a consequence this will result in efficiency savings as well as an improved service. There will also be economies of scale as a result of joint working between the two services.

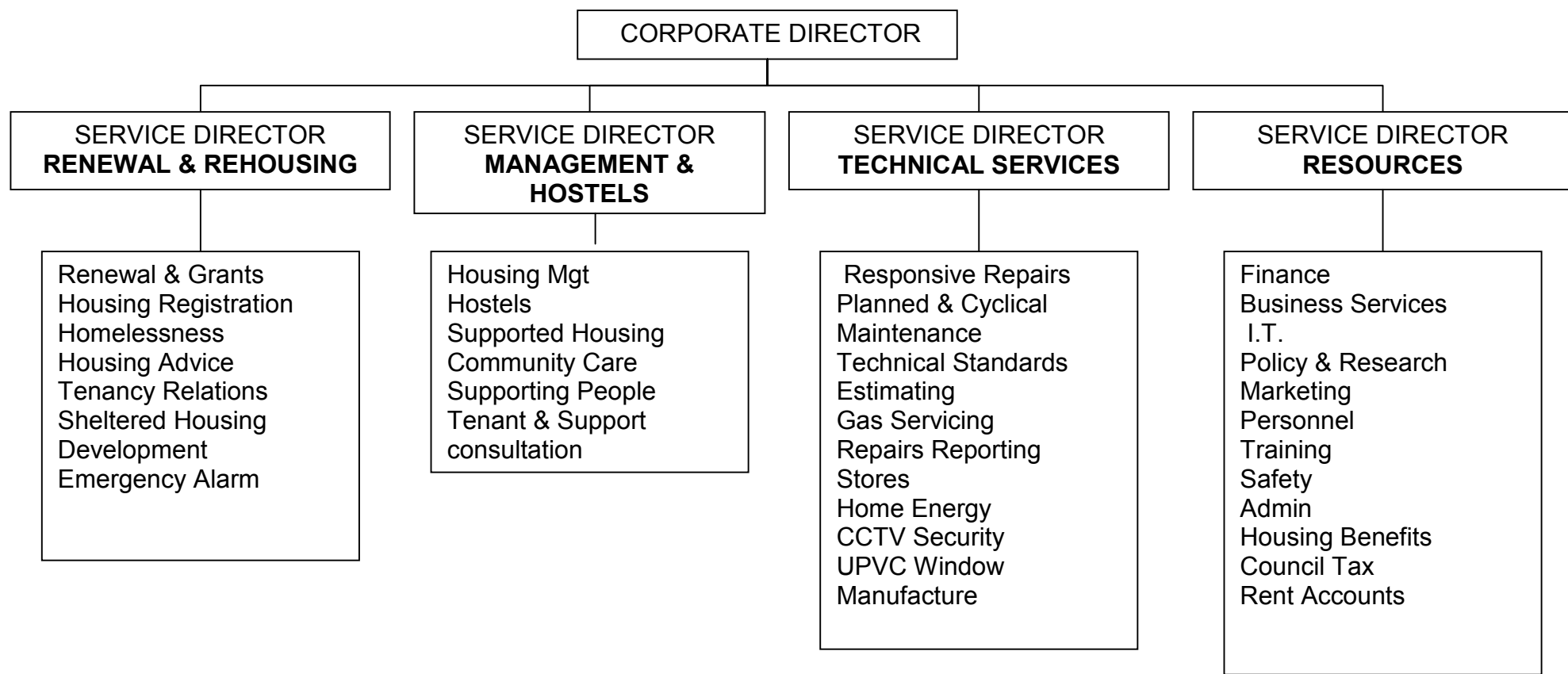
4.3.3 Efficiency Savings (£85k)

Reductions to administration budgets and other costs will be made to balance the budget yet maintaining front line services.

APPENDICES INDEX

Appendix 1	Functional Organisation Chart for the Housing Department
Appendix 2	Housing Revenue Account Budget 2002/03
Appendix 3	Housing General Fund Budget 2002/03 & Draft Budget 2003/04
Appendix 4	Spending and Resource Forecast 2003/04 to 2005/06
Appendix 5	Growth Summary
Appendix 6	Reduction Summary
Appendix 7	Growth – Detailed Proposals
Appendix 8	Reduction – Detailed Proposals

HOUSING DEPARTMENT FUNCTIONAL ORGANISATION CHART



APPENDIX 2

HOUSING REVENUE ACCOUNT

	02 / 03 ORIG. BUDGET £k	02 / 03 FORECAST (P.08) £k	03 / 04 BUDGET £k
Rent – Dwellings	55,959	56,974	56,704
Other income	2,731	2,766	2,800
	58,690	59,740	59,504
Management	12,900	12,812	13,300
Revenue Repairs	19,500	19,768	19,300
Bad Debts	750	750	800
Cap Financing	16,058	16,160	15,885
Neg. Subsidy	9,902	9,865	10,587
	59,110	59,355	59,872
Deficit (Surplus)	420	(385)	368
Bal. B/Fwd	(3,187)	(2,698)	(3,083)
Bal. C/Fwd	(2,767)	(3,083)	(2,715)

Rents for 2003/04 have been increased by 2.68%, in line with Government guidelines.

HOUSING DEPARTMENT BUDGET SUMMARY 2002/2003**GENERAL FUND**

	£000's
Renewal and Development of Private Sector Housing	831.7
Housing Benefit Admin	2143.7
Miscellaneous Service Provision	286.7
Hostels	17.5
Homelessness and Rehousing	1635.4
Grants to Voluntary Organisations	<u>678.7</u>
Total Controllable Budgets	5593.7
Demand Led Budget - Housing Benefits	2486.8
Recharges	1702.2
Capital Charges	<u>609.8</u>
Total Housing Department General Fund Budget	<u>10,392.5</u>

APPENDIX 4

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GROWTH SUMMARY

	2003/04	2004/05	2005/06
<u>Service Enhancements</u>			
Total Service Enhancements			
<u>Decisions already taken</u>			
Total Decisions already taken			
<u>Other</u>			
1 Increased use of Temporary Accommodation incl Bed & Breakfast	190.0	190.0	190.0
2 Interest on loan to replace/improve Local Taxation System	70.0	70.0	70.0
3 Additional Housing Options Officers	60.0	60.0	60.0
Total Other	320.0	320.0	320.0
TOTAL GROWTH	320.0	320.0	320.0

REDUCTION SUMMARY

	2003/04	2004/05	2005/06
<u>Service Reductions</u>			
Total Service Reductions			
<u>Decisions Already Taken</u>			
Total Decisions Already Taken			
<u>Efficiency/Restructuring Savings and Additional Income</u>			
1 Efficiencies in Housing Benefits/Local Taxation	145.0	145.0	145.0
Other Savings	85.0	85.0	85.0
Total Efficiency/Restructuring Savings and Additional Income	230.0	230.0	230.0
<u>Other</u>			
2 Reduced Costs/Higher Occupancy Rates in Hostels	210.0	210.0	210.0
Total Other	210.0	210.0	210.0
Total Reductions	440.0	440.0	440.0

APPENDIX 7

GROWTH PROPOSAL 2003/2004

<u>SERVICE AREA</u>	<u>Proposal No:</u> 1		
<u>Details of Proposal:</u>			
To meet the rising costs of temporary accommodation (including Bed and Breakfast).			
<u>Type of Growth (delete as appropriate)</u>			
Other – Demand led.			
<u>Justification for Proposal:</u>			
The provision of temporary accommodation is demand led. The Homelessness legislation places statutory duties, powers and obligations on the Housing Department to provide temporary accommodation to applicants who fall within the homeless provisions.			
<u>Departmental Priorities Addressed</u>			
Decent home for all			
<u>Date to be implemented from:</u>			
<u>Financial Implications of Proposals</u>			
.....% of budget represented	<u>2003/04</u> <u>£000s</u>	<u>2004/05</u> <u>£000s</u>	<u>2005/06</u> <u>£000s</u>
Amount	190.0	190.0	190.0
<u>Service Budget</u>		<u>2001/02</u> <u>Outturn</u> <u>£000s</u>	<u>2002/03</u> <u>Budget</u> <u>£000s</u>
Staff			
Supplies & Services		6.0	Nil
Etc			
TOTAL		6.0	Nil
<u>Staffing Implications</u>		<u>2003/04</u> <u>£000s</u>	<u>2004/05</u> <u>£000s</u>
Current service staffing (FTE)		0	0
Extra post(s) (FTE)		0	0
<u>Geographical Implications</u>			
<u>Effect on other departments and corporate priorities</u>			
<u>Effect on Risk/Insurance</u>			
<u>Benchmarking Information</u>			
<u>Other Service Implications</u> (continue overleaf if necessary)			
Signature:.....			
Date:			

GROWTH PROPOSAL 2003/2004

SERVICE AREA Council Tax/Housing Benefits		Proposal No: 2	
Details of Proposal: Interest at 7% on £1m unsupported credit approval.			
Type of Growth (delete as appropriate) Other			
Justification for Proposal: To improve/replace CT and HB IT systems. This will lead to an improved service and reduced costs.			
Departmental Priorities Addressed Efficient and Effective Services.			
Date to be implemented from:			
Financial Implications of Proposals 2% of budget represented		2003/04 £000s	2004/05 £000s
Amount		70.0	70.0
Service Budget		2001/02 Outturn £000s	2002/03 Budget £000s
Staff			
Supplies & Services			
Etc			
TOTAL			3,770.0
Staffing Implications		2003/04 £000s	2004/05 £000s
Current service staffing (FTE)		0	0
Extra post(s) (FTE)		0	0
Geographical Implications			
Effect on other departments and corporate priorities			
Effect on Risk/Insurance			
Benchmarking Information			
Other Service Implications (continue overleaf if necessary)			
Signature:.....			
Date:			

GROWTH PROPOSAL 2003/2004

SERVICE AREA HOUSING OPTIONS SERVICE		Proposal No: 3	
Details of Proposal:			
Additional Options Staff			
Type of Growth (delete as appropriate)			
Demand Led			
Justification for Proposal:			
There has been a 20% increase in customers accessing the service at NWC & Bishop St. A reduction in available lets in council housing has contributed to more queries from customers wanting social housing.			
Departmental Priorities Addressed			
A decent home for everyone.			
Date to be implemented from: 1/4/03			
Financial Implications of Proposals		2003/04	2004/05
5% of budget represented		£000s	£000s
Amount		60	60
Service Budget		2001/02	2002/03
		Outturn	Budget
		£000s	£000s
Staff		859	963
Supplies & Services		282	279
Etc			
TOTAL		1,141	1,242
Staffing Implications		2003/04	2004/05
		£000s	£000s
Current service staffing (FTE)		47	47
Extra post(s) (FTE)		4	4
Geographical Implications			
Effect on other departments and corporate priorities			
Effect on Risk/Insurance			
Benchmarking Information			
Other Service Implications (continue overleaf if necessary)			
Signature:.....			
Date:			

APPENDIX 8

HOUSING DEPARTMENT BASE BUDGET REDUCTION PROPOSAL 2002/2003
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<u>SERVICE AREA</u>	<u>Proposal No:</u> 1		
<u>Details of Proposed Reduction:</u>			
Council Tax and HB Savings are expected as a consequence of IT investment and improved working methods.			
<u>Type of Reduction (delete as appropriate)</u>			
Efficiency Savings			
<u>Date to be implemented from:</u>			
<u>Financial Implications of Reduction</u>			
4 % of budget represented	<u>2002/03</u> <u>£000s</u>	<u>2003/04</u> <u>£000s</u>	<u>2004/05</u> <u>£000s</u>
Amount	145.0	145.0	145.0
<u>Service Budget Direct Costs</u>		<u>2001/02</u> <u>Outturn</u> <u>£000s</u>	<u>2002/03</u> <u>Budget</u> <u>£000s</u>
Staff			3,647,100
Supplies & Services			48,900
Etc			
TOTAL			3,696,000
<u>Effect of proposal on service users or others</u>			
<u>Staffing Implications</u>		<u>2002/03</u>	<u>2003/04</u>
Current service staffing (FTE)			
Post(s) deleted (FTE)			
Current Vacancies (FTE)			
Individuals at risk (FTE)			
<u>Geographical Implications</u>			
<u>Effect on other departments and corporate priorities</u>			
<u>Benchmarking Information</u>			
<u>Other Service Implications</u> (continue overleaf if necessary)			
Signature:.....			
Date:			

HOUSING DEPARTMENT
BASE BUDGET REDUCTION PROPOSAL 2002/2003

SERVICE AREA	Proposal No: 2		
Details of Proposed Reduction:			
Hostels increase in charges and efficiency, will result in reduced subsidy from the Housing General Fund.			
Type of Reduction (delete as appropriate)			
Efficiency and other Savings			
Date to be implemented from:			
Financial Implications of Reduction			
% of budget represented	2002/03 £000s	2003/04 £000s	2004/05 £000s
Amount	210.0	210.0	210.0
Service Budget Direct Costs			
		2001/02 Outturn £000s	2002/03 Budget £000s
Staff			1,613,400
Supplies & Services			1,176,200
Etc			(2,772,100)
TOTAL			17,500
Effect of proposal on service users or others			
Staffing Implications			
	2002/03	2003/04	2004/05
Current service staffing (FTE)			
Post(s) deleted (FTE)			
Current Vacancies (FTE)			
Individuals at risk (FTE)			
Geographical Implications			
Effect on other departments and corporate priorities			
Benchmarking Information			
Other Service Implications (continue overleaf if necessary)			
Signature:.....			
Date:			