

Cabinet 3rd December 2015 – Tabled Papers

Agenda Item No.6 – Preliminary Draft Budget 2016/17

Please see the attached supplementary paper in respect of the above report.

Agenda Item No.E1 – Urgent Item – Expansion of Short Stay Accommodation Provision (Exempt)

The Chairman intends to accept the attached exempt report as an Urgent Item for consideration at the meeting.

The following resolution should be proposed, seconded and carried prior to considering the item.

That pursuant to Section 100A of the Local Government 1972 members of the press and public be excluded during consideration of this item as it is likely that there would be disclosure of exempt information as defined in Paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 where in the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Keith Fearon – Member Services and Scrutiny Manager

Tabled Paper – Briefing on the Comprehensive Spending Review

Purpose of the Report

1. To provide members with a briefing on the comprehensive spending review and to update them on how the announcements compare with the assumptions made within the draft budget.

Background

2. The Chancellor of the Exchequer delivered the Comprehensive spending review on the 25th November, a briefing note is attached summarising the announcements made.
3. The Spending review has outlined some of the governments intentions for local government but there is still significant amounts of detail that remains to be announced to inform any debate on the impact on the draft budget.

Departmental Expenditure Limits (DEL)

4. The CSR confirmed the Chancellor's intention to abolish the Revenue Support Grant for Local Government and transfer reliance onto locally retained business rates. The Chancellor announced that over the life of the parliament spending on local government would be the same in cash terms as it currently is with a real terms cut every year.
5. The figures showed that the departmental expenditure Limit (DEL) which funds formula grant, new homes bonus and some other small grants will reduce from £11.5bn to £5.4bn in 2019/20 a 53% reduction. This is supplemented by funding that is locally generated through Council Tax. The Councils MTFP assumed a 100% reduction in formula grant funding but has assumed no changes to New Homes Bonus, without the benefit of the local government settlement it is felt that this level of cut is in line with those expectations.
6. However the CSR signalled a significant shift in resources within local government towards adult social care so whilst there may be a reduction in line with expectations, the cut to district councils may be more severe.
7. The Councils MTFP did assume that formula grant would be phased out by 2018/19, the CSR confirmed governments intention to remove this grant however the figures suggest the reduction for the whole sector would take a further 2 years giving the potential for some grant to be received for a longer period. The removal of grant will be completed through a process of cuts and funding reform with the localisation of business rates.
8. It is expected that the Local Government settlement will be announced on the 16th December which will contain further details of the implications of the CSR for on the Council.

Council Tax

9. The Chancellor included two significant announcements on council tax, that councils with the responsibility will be allowed to levy an additional 2% for social care yielding £2bn by the end of the parliament. In addition police

authorities would be allowed to increase their precept by 2% or £5 whichever was greater.

10. The CSR contained no mention of council tax freezes and it seems that there is a shift in emphasis from government with increases in council tax being assumed in the forecasts for locally managed expenditure.
11. There were no specific announcement over Council Tax capping for district councils, it is expected that this will be included in the Local Government Settlement.

New Homes Bonus

12. The Chancellor announced that funding for new homes bonus would be top sliced by £800m to fund social care and that the bonus would be reduced from six years to four. There is some confusion over the way that this cut will be made and whether
 - a. the 2 year reduction will form the re-allocation of resources to social care
 - or
 - b. the re-allocation to social care will occur after the cut in years.

In the event of the later scenario this will consume the vast majority of New Homes Bonus available and will result in a significant cut to this Councils funding. It is expected that government will consult on this as part of the provisional settlement and therefore the Governments preferred approach will become evident when the settlement is announced.

13. If the current split between tiers of Local Government was to remain and the reduction in 2 years were to fund the top slice for adult social care, this would cut the allocation for the Council of approximately £1.5m. In the event of the second option it is expected that the vast majority of the £3.5m we expected to receive will be cut.
14. This is a significant impact for the council that was not included in the MTFP however the Council had taken the decision not to include all of NHB into the base budget so this will affect the levels of resources available for project funding.
15. It is also clear that NHB has a limited life expectancy with the funding being included within the 11.5bn DEL. This will be rolled into the localisation of business rates so it is expected that this funding will cease in 2019/20 and we will need to understand and transitional announcements that are to be made.

Business Rates

16. Government confirmed its intention to fully localise business rates and it will consult on how to do this over 2016. This will include a consultation of what additional burdens will be transferred to local government to offset the additional funding that business rates will bring, this could include Public Health, Homelessness administration and housing Benefit administration.
17. The Government has announced that locally elected mayors will have the power to vary the basic level of business rates.

Devolution, New Powers and responsibilities

18. The Spending review contained a number of references to devolution, signalling Government's commitment to this agenda. Kent Authorities will need to consider how to respond to this. In this respect it is likely this council in conjunction with other Kent councils will, over the coming months, wish to consider options. In doing this it is possible that costs may need to be incurred. It seems prudent at this time, therefore, to suggest that the final draft budget earmarks some resources for this purpose, which can be specified at that time. There maybe other needs too, for example developing and possibly consulting on a response to the forthcoming boundary commission review. Therefore the draft budget will earmark the savings generated from the management team restructure for the first 2 years to fund these costs.
19. As discussed above the government is to consult on the transfer of further powers and responsibilities to local government, this will be the subject of further briefings to members as more details are announced.

Capital Receipts

20. The government has announced that capital receipts (from non Right to Buy disposals) can be used to help fund the transformation of local government.

Conclusions and next steps

21. The Government will announce and consult upon the local government settlement in December. This announcement will give a firm indication on the level of funding the council will receive for the coming year/years. **However based on the information we know, the assumptions in the MTFP and draft budget seem to be sound and therefore it is recommended that scrutiny of the draft budget continues as planned.**
22. The most significant risk to the budget is the change to New Homes Bonus and it is therefore suggested that no new allocations are made before the changes are fully understood and that existing allocations are reviewed.
23. The further advice in this update that some earmarked resources are needed to assist developing responses to the changing circumstances of local government (for example, devolution and boundary reviews) should ne noted and that the final draft budget will need to take these matters into account.

Policy Briefing 13

Spending Review 2015

Points for Management Team

Funding

- Revenue support grant to be phased out – more or less in line with current assumptions
- Local government to retain 100% of business rates and the Uniform Business Rate will be abolished
- No detail yet on council tax capping, although upper tier authorities will be able to levy a 2% precept for social care.
- The government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.
- Councils will be encouraged to draw down on their reserves to reinvest in service reform and innovation.
- Capping Housing Benefit in the social rented sector – The government will cap the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit. This will include the Shared Accommodation Rate for single claimants under 35 who do not have dependent children. This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards – and will effect the HRA and rents at newer properties such as Farrow Court.
- Full Local Government Settlement December 2015

Consultations - further details to come

1. **Local Government Finance** - DCLG will shortly consult on changes, paving the way for the implementation of 100% business rate retention by the end of the Parliament. The consultation will take into account the main resources currently available to councils, including council tax and business rates, and the possible need to rebalance support to social care authorities.
2. **NHB** – including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which can be used for social care.
3. **Additional Responsibilities** - additional responsibilities devolved to local authorities. Examples include transferring responsibility for funding the administration of Housing Benefit for pensioners and devolving an increased level of funding to local authorities while ending the current management fee for temporary accommodation. Government will also consult on options to transfer responsibility for funding public health.

Miscellaneous

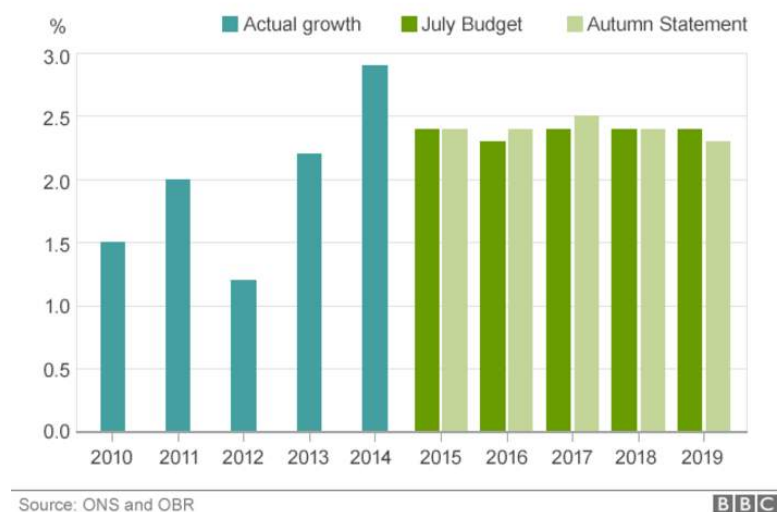
- **Apprenticeship Levy** – a charge of 0.5 per cent of the gross pay bill of employers (over £3m per year) to fund apprenticeships. Employers will receive an allowance of £15,000 per year to offset against the levy. This measure will be effective from April 2017 and adds a cost of around £50,000 per year to ABC.
- **Devolution** – DCLG have a £12bn Local Growth Fund, and will continue to oversee delivery of devolution deals agreed with city regions and other areas.
- The government will issue new guidance to local authorities to encourage them to rein in excessive salaries. It will also consult on further action to limit exit payments and reduce the cost of redundancy payments. The government will also review public sector sickness absence.
- The government will consult on updating the Transparency Code to require all local authorities to record details of their land and property assets in a consistent way on the government's electronic Property Information Management System (e-PIMS)
- Providing up to £250 million for a major new permanent lorry park to increase resilience in Kent, by taking pressure off the roads in the event of Operation Stack. The government will consult on a preferred site at Stanford and other alternatives shortly.

Background

Forecasts

- OBR growth forecast: basically no big change, UK grows at trend for next 5 years.
 - **2015**: 2.4%, matching the 2.4% predicted in July's Budget
 - **2016**: 2.4%, up from 2.3%
 - **2017**: 2.5%, up from 2.4%
 - **2018**: 2.4%, matching the Budget forecast
 - **2019**: 2.3%, down from 2.4%

GDP growth forecasts



- Debt forecast
 - **2016** - 81.7%
 - **2017** - 79.9%
 - **2018** - 77.3%
 - **2019** - 74.3%
- The government will reach a surplus of £10.1bn by the end of the Parliament
- Total managed expenditure - the government's total spending –
 - **2016** - £756bn
 - **2017** - £773bn
 - **2018** - £787bn
 - **2019** - £801bn

Government Finances

- Day to day spending in government departments is set to fall by an average of 0.8% a year in real terms.

Local Government Finance

- By the end of this parliament local government will be spending the same in cash terms as it does today.
- Elected mayors can increase local taxes to fund infrastructure investment

Welfare

- £12bn in welfare cuts will be delivered in full.
- Tax credit cuts abandoned - being phased out anyway when the universal credit comes in. Although all families that would newly qualify for Tax Credits in 2018 will suffer the full cut under UC.
- Chancellor confirms that this mean the welfare cap will be breached in the early years of the parliament. But it will be met in the later years of the parliament.
- No additional taper changes to Universal Credit.
- Stop Housing Benefit payments to those who have left the country for more than a month.

Housebuilding

- Doubling housing budget to £2bn per annum.
- 400,000 new affordable homes by 2020, including affordable *to buy*
 - Half will be Starter Homes
 - 130,000 Help to Buy shared ownership
- 5 pilots of HA RTB start tonight.
- Further reform to planning.
- 160,000 new homes on released public land.
- A new stamp duty rate for people buying homes as buy to let will be 3% higher than normal stamp duty. The revenue will be reinvested back in local communities.

Health and Social Care

- NHS funding to rise from £101bn this year to £120bn by 2020-21.
- £1.5bn increase in the Better Care Fund

Miscellaneous

- The basic state pension will increase by £3.35 a week next year - the new rate for the basic state pension will be £155.65.
- Some 26 new or extended enterprise zones are being created
- £300m fund for cycling
- Small Business Rate relief scheme extended for another year.
- Free childcare will be available from 2017. But it will only be available to families working over 16 hours per week.

Agenda Item No:E1

Report To: Cabinet
Date: 3rd December 2015
Report Title: Expansion of Short Stay Accommodation Provision
Report Author: Sharon Williams
Portfolio Holder: Cllr Clokie



Summary: Following the success of Christchurch House, which provides short stay accommodation for homeless families, this report seeks members support for the purchase of another property suitable for a similar use.

This proposal takes a proactive approach to ensuring that we have good quality short stay provision for the homeless in the Borough whilst reducing the pressure on the general fund due to high costs of bed and breakfast accommodation.

Key Decision: YES

Affected Wards:

Recommendations: **The Cabinet be asked to:-**

1. Recommend to Council that a budget of £1.25m be approved for the purchase of the Downsview Hotel, funded by borrowing or section 106 funding whichever is appropriate, subject to due diligence, in consultation with the Head of Legal Services, The Chief Executive, the relevant Portfolio Holder and the Leader.
2. Agree that following completion of the purchase it is used for short stay temporary accommodation to be known as Downsview House, subject to Royal Mail.
3. Agree that officers set up appropriate management arrangements, including additional staffing, as set out in the budget at Appendix 2.

Policy Overview: The Council has a statutory duty to house homeless households under the Housing Act 1996, as amended by the Homelessness Act 2002. This requires the Council to secure that accommodation is available to households where there is reason to believe that they may be homeless and in priority

need as defined in the Act.

Financial Implications:

The purchase would be financed via prudential borrowing. The full costs of servicing the loan and the operational and management costs will be covered by the income and from savings in bed and breakfast expenditure.

Risk Assessment

YES

Equalities Impact Assessment

YES

Other Material Implications:

Exemption Clauses:

Not For Publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Background Papers:

Contacts:

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Report Title: Expansion of Short Stay Accommodation Provision

Purpose of the Report

4. Following the success of Christchurch House this report recommends the expansion of short stay accommodation provision for homeless households.
5. A property has been identified suitable for this purpose at Downview Hotel, Kennington and the report recommends that the Council purchases this property.

Issue to be Decided

6. That members recommend that a budget of 1.25m be approved for the purchase of the Downview Hotel to be funded by borrowing or section 106 contributions whichever is appropriate, subject to due diligence, in consultation with the Head of Legal Services, The Chief Executive and the relevant Portfolio Holder and the Leader.
7. That following completion of the purchase it is used for short stay temporary accommodation known as Downview House, subject to Royal Mail approval.
8. That officers set up appropriate management arrangements, including additional staffing, as set out in the draft budget at Appendix 2.

Background

9. The Council has a legal duty to provide temporary housing to homeless households. This is an immediate statutory duty when the Council has reason to believe that an applicant is homeless, and in priority need as defined in the Housing Act 1996 (as amended by the Homelessness Act 2002).
10. Although we have 8 units of short stay accommodation within Christchurch House, we are still averaging between 15 to 23 households in bed and breakfast accommodation on top of this. At a cost of approximately £250 per week per household in B&B accommodation this creates a high cost to the general fund.
11. The model that we have utilised at Christchurch House has worked well and has saved in excess of £100,000 in B&B expenditure and therefore it makes good sense to replicate that model to cater for our emergency accommodation needs rather than rely on commercial B&B accommodation.

Proposed Short Stay Accommodation

12. A suitable facility has been identified at the Downview Hotel, Willesborough Road, Ashford which is currently on the market. The accommodation is fully

furnished and has adequate fire protection. Some works will be required to alter and extend the commercial kitchen facilities to make them accessible for residents use and to move the current laundry store but the rooms are ready for occupation.

13. The accommodation, as it currently stands provides, 2 self contained units and 12 fully en-suite rooms. Some of the rooms are family rooms and could cater for larger families. There are 6 rooms provided on the ground floor which will cater for those unable to manage stairs. A floor plan showing the current layout of the building is attached at Appendix 1.
14. Currently only some minor works have been identified and the building appears to be in good condition throughout, however a full structural survey will be required under due diligence. There is a CCTV system in situ which we are informed is working, however this will need to be tested and we will need to make arrangements for this to link through to the monitoring centre.
15. It is proposed that in order to provide sufficient management of the building and the residents we would need an additional 3 x 0.5 FTE posts for general maintenance duties, management duties and cleaning during office hours. In addition due to the nature of the building, its size and location it is recommended that there is an on site presence during the evening in the form of an evening caretaker post.

Risk Assessment

16. It is unlikely that homelessness numbers will decline in the area especially as Ashford grows, however should the demand for this type of accommodation diminish and not be required there are a number of exit strategies for this particular property as follows:
 - a. It could be sold
 - b. To consider potential redevelopment opportunities in the future
 - c. Use of the self contained units for longer term placements
 - d. Use of the ground floor wing as a specialist scheme for single people
17. There are proposed changes to restrict the levels of housing benefit to Local Housing Allowance levels within social housing as part of the package of welfare reform changes in future years. At this stage it is not clear whether this could impact upon the level of income to this type of scheme in the future as the details of the extent of the changes are not currently available.

Community Impact Assessment

18. A full impact assessment has been undertaken in relation to the homelessness service.

Other Options Considered

19. Officers continue to work hard to prevent homelessness wherever possible and efforts are continuing to work with private landlords to attract suitable affordable accommodation in the private rented sector.
20. Although this work is vital and complements the supply of social housing available to address homelessness, currently the demand for housing far outstrips supply and there will be a need to provide the type of short term facility in the foreseeable future.

Consultation

21. Should the purchase of Downsview Hotel be agreed by members a consultation exercise will take place with the local community.

Implications Assessment

22. An outline budget for the purchase and operation of Downsview House is attached at Appendix 2.
23. Currently the budget has been based on 100% borrowing, however it may be possible to attract some section 106 funding to support the project through the current off site funding bidding process which would reduce the amount that is needed to finance the scheme and reduce revenue costs.
24. Even if this scheme is not successful for a contribution from the off site section 106 money the scheme costs can still be fully funded via the income from the scheme and from savings in bed and breakfast expenditure.

Handling

25. In accordance with the Access to Information rules (Part 4, S16, Special Urgency) the agreement of the Chair of the Overview & Scrutiny Committee to consider this item at this evening's Cabinet has been obtained.
26. Subject to Full Council approval to proceed with the purchase a formal offer will be made to purchase the property subject to due diligence.
27. It is anticipated that the purchase will be fairly straightforward and therefore that the facility could be in use as early as February or March 2015.
28. The use of the building for homeless households would be in exactly the same manner as the previous hotel use. For this reason there would be no material change of use and therefore planning permission would not be required.
29. It is important to note that the building was previously used a bedsits with a warden's flat and that there are relatively few neighbouring properties.

30. The Tourism, Heritage and Nature Conservation Manager has advised that in her view the loss of the Downsview in terms of bed rooms and bed spaces would not have a significant impact on the overall number in Ashford bearing in mind the number of hotels (premium and budget) that we currently have and proposals for new ones. Despite the potential for the use of the hotel for visitors to Conningbrook Country Park on balance the view is that it would not have a significant impact.

Conclusion

31. The purchase of the Downsview Hotel for use as a short stay accommodation facility would create an additional 14 units of accommodation. This means that we could reduce the Councils expenditure on bed and breakfast accommodation by approximately £182,000 per year.
32. The vision and drive for this project is to build upon the success of Christchurch House and provide a service that is set up and run to the highest standards whilst creating significant savings in the bed and breakfast budget.

Portfolio Holder's Views

33. This proposal continues our desire to accommodate homeless households without resorting to the use of expensive external bed and breakfast accommodation. I fully support the recommendations.

Contact: Sharon Williams

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First Floor



Second Floor



Ground Floor

EXEMPT

Purchase cost	1,144,000
Renovation works	50,000
Other costs	50,000
Total purchase costs	1,244,000

Financing	
Interest costs	43,540
Repayment costs	24,880
	68,420
Costs	
Staff costs (hours per week)	30,309
Caretaker costs	15,000
Maintenance costs	5,000
Health & Safety	500
Operational equipment	5,000
Telephones	1,200
TV Licence	150
Council Tax	2,200
Gas	3,000
Electricity	8,000
Water	5,000
Cleaning materials	1,500
insurance	700
laundry	5,000
	82,559
Income	
Income from Housing Benefit	109,200
Income from personal charge	7,280
Recover of concierge costs	15,000
Voids	-11,648
	119,832
Savings	
Cost of B&B	153,972
Less HB income	-98,280
	55,692
Total net (costs)/income before Financing	92,965
Total net (costs)/income including Financing	24,545

EXEMPT