

Report to Cabinet
12 June 2013
Report of Head of city development services
Subject Home Improvement Agency Fees

Item

13

Purpose

To review and agree a new fee structure for work carried out by the Home Improvement Agency from July 2013

Recommendations

- (1) To set a new home improvement agency fee of 18% to operate from the 1 July 2013 to 31 March 2015.
- (2) To approve a cost-neutral change to the general fund revenue budget.
- (3) To delegate to the deputy chief executive (operations) the power, in consultation with the relevant portfolio holder to set a new fee following regular review.

Corporate and service priorities

The report helps to meet the corporate priority “decent housing for all” and the service plan priority to tackle sub-standard private sector housing.

Financial implications

There would be a cost to the general fund if a fee is set below 18%. A range of costs is set out in the text of the report.

Ward/s All wards

Cabinet member Cllr Stonard portfolio holder for environment, development and transport.

Contact officers

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Background documents

None

Report

Background

1. The council has a statutory duty to offer Disabled Facilities Grants (DFG) to eligible residents. It also exercises its discretionary power to provide financial assistance to vulnerable home owners to carry out minor repairs or to tackle hazardous conditions in their homes. The proposed annual capital budget for this work is £1.140m in 2013-14.
2. The council currently offers a 'home improvement agency' service to all applicants. This service organises the whole process from initial application through assessment, design of the works and organising the builders and ensures good quality and value for money.
3. The service is currently provided by Orbit Housing Association. This arrangement began in 2002 and is due to end on 30 June 2013.
4. At their meeting on 14 January 2013 cabinet discussed a number of options regarding the future of the home improvement initiative. They resolved that:

"Officers carry out additional work to further test the suggested options to ensure that all alternatives are fully considered and to authorise the deputy chief executive, in consultation with the portfolio holder for housing, to take the final decision whether to transfer the service to NPS Norwich or in-house".
5. Additional work was carried out and the deputy chief executive in consultation with the portfolio holder for housing decided that the service will be provided in house from 1 July 2013.
6. The home improvement agency charges a fee for the services it provides. The fee forms part of the cost of providing the improvement and adaptations so can be added to the grant or loan offered to the client.
7. Clients are not required to use the service if they prefer to organise the works themselves. Alternatively, they could employ an architect or similar professional to design and manage the works, the cost of which would similarly be included in the grant or loan. Professional fees would be expected to range between 15 and 20% of the cost of the building works.
8. The fee charged by Orbit is currently 11% but this does not cover the costs of running their service which they have effectively been subsidising.

New Fee Calculation

9. The increased cost to the general fund of providing the home improvement agency in-house is estimated to be £159,000 annually. Based on the current capital budget, this will require a minimum fee of 16% to cover the cost. However, that assumes that every case is successfully completed and the grant or loan paid. The nature of the work means that a significant number of cases are not concluded before approval of the grant or loan leading to costs that cannot be recovered. An example might be where a client's health requires them to move to supported accommodation. The fee calculations have therefore been based on achieving 90% spend of the capital budget.

10. It should be noted that the fee cannot exceed the costs of providing the service due to limits on the extent to which capital funding can be used for revenue expenditure. In other words, it is not permitted to make a surplus.

Options

Option 1: Offer the service at a discount to the client

11. The table below illustrates the annual cost to the general fund at differing fee levels.
12. Setting a fee below 18% will lead to an increased cost to the general fund and is not recommended.

Fee	Fee income from 90% capital spend £000s	Net cost to the general fund £000s
0%	0	158
5%	44	114
10%	88	70
11%	97	61
12%	106	52
13%	115	43
14%	124	34
15%	133	25
16%	142	16
17%	150	8
18%	159	0

Option 2: Set a fee which recovers the full cost of providing the service.

13. The table above shows that the costs will be covered at a fee of 18%.
14. To put this into context, an average disabled facility grant costing £6,000 would generate a fee of £1,080. That would be added to the grant bringing the total to £7,080.
15. Disabled facilities grants have a maximum limit of £30,000. A fee of 18% would therefore limit the cost of the building works to £25,424. In the past three years this would have affected only 3 applications out of 237. Our current policy allows disabled facility grant to be topped up by an interest-free loan repayable on sale of the property if the works exceed this amount. It is also proposed that the deputy chief executive be given delegated authority to waive or alter the fee in cases of significant hardship. This would avoid the situation where a client could not benefit from a disabled facility grant because of the need to pay an agency fee, or alternatively had to organise the works themselves to enable the grant to go further.
16. This option is recommended.

Budget

17. There is currently no provision in the 2013-14 general fund revenue budget for the operation of the home improvement agency. Appropriate costs and income budgets are shown in the table below, based on the recommended 18% fee.

	Full Year	Part Year (July 13 - Mar 14)
Expenditure	£000s	£000s
Payroll	192	144
Non-Payroll	1	1
Total	193	145
Income		
Fees (@ 18%)	159	119
Supporting people funding	34	26
Total	193	145

Conclusion

18. To avoid an impact to the general fund on bringing the home improvement agency in-house requires a fee to be set to cover the costs of providing the service. For a cost neutral position to be achieved the fee would need to be set at 18%. This would not significantly affect an applicant's ability to fund their adaptations and improvements. The fee is therefore recommended.
19. In a very small number of cases it may be appropriate to waive or reduce the fee charged where it can be shown that there is significant hardship. This would usually only arise in the case of clients needing to fund works right at the limit of the available grant or loan. It is recommended that these decisions be delegated to the deputy chief executive (operations)
20. It would be wise to regularly review the fee to reflect changing costs. In connection with this it is proposed that the decision to set the fee in future should be delegated to the deputy chief executive in consultation with the relevant portfolio holder.
21. Subject to approval of the recommended fee level, cabinet is also requested to approve the budget for the homes improvement agency as set out in paragraph 17.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	1 ² h June 2013
Head of service:	Andy Watt
Report subject:	Home Improvement Agency Fees
Date assessed:	2 ² nd May 2013
Description:	To review and agree a new fee structure for work carried out by the Home Improvement Agency from July 2013

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Charging a fee will reduce or remove the cost to the general fund of providing the service.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
S17 crime and disorder act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Recommendations from impact assessment	
Positive	
Set an agency fee of 18%.	
Negative	

Neutral
Issues