



GOVERNMENT OFFICE  
FOR THE EAST MIDLANDS

APPENDIX 1  
South Derbyshire  
District Council

22 JAN 2007

Housing Service

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19<sup>th</sup> January 2007

Dear Bob

**South Derbyshire District Council HRA Business Plan: Fit For Purpose Sign Off**

I am pleased to confirm that your HRA Business Plan satisfies the requirements laid down by the Communities and Local Government's "Fit For Purpose" criteria for HRA Business Plans.

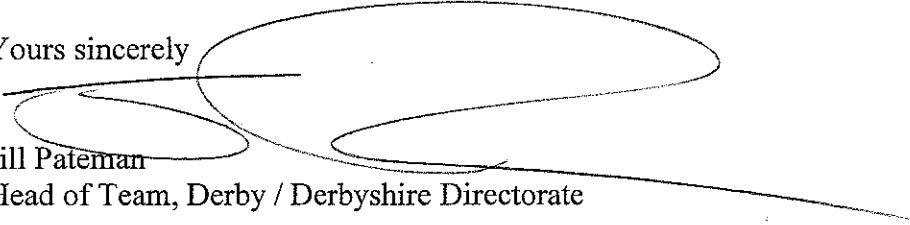
In continuing to develop the Business Plan, a SMART Action Plan would enable progress to be monitored more readily, clearly linked to priorities.

I note your concerns in the Plan regarding negative subsidy and the viability of the HRA. Communities and Local Government (CLG) operates housing subsidies as a national system, taking *assumed* surpluses from some authorities and using them to fund *assumed* deficits in other authorities. Surpluses (and deficits) are generated by the assumptions CLG makes when assessing individual authority's need to spend, and is not related to the efficiency of a council in operating its HRA. Surpluses rarely, if ever, occur where the need to spend is greatest; if CLG were to allow those authorities that make surpluses to retain them this would, within the total funding levels agreed, mean reduced subsidies and therefore higher rents, for all those authorities with a deficit. CLG believes that it is better to treat council housing as a national system, not least because the surpluses that are being generated by some authorities come from housing that has largely been funded by central Government.

The next stage is to agree the arrangements to report your progress against the Plan's objectives; Ian Porteous will be in touch with you to take this forward.

I am copying this letter to Frank McArdle.

Yours sincerely

  
Jill Pateman  
Head of Team, Derby / Derbyshire Directorate

Copy to Frank McArdle, Chief Executive