

OVERVIEW AND SCRUTINY COMMITTEE

26th October 2011

PRESENT:-

Conservative Group

Councillor Mrs. Plenderleith (Chairman), Councillor Atkin (Vice-Chairman) and Councillors Mrs. Hood and Mrs. Patten.

Labour Group

Councillors Bambrick, Bell, Mrs. Mead and Pearson.

OS/11. **MINUTES**

The Open Minutes of the Meeting, held on 14th September 2011 were taken as read, approved as a true record and signed by the Chairman.

OS/12. **TREASURY MANAGEMENT ASPECTS OF HRA SELF FINANCING – INCOME STRATEGY**

The Committee received a comprehensive report on the income strategy aspect of the current work on Housing Revenue Account (HRA) Self Financing. Background was provided about self-financing, which was not equitable to all councils, but had been welcomed by those with housing stock as this new system was far better than the current, flawed negative subsidy system. The Council had prepared for HRA Self Financing through a joint stakeholder group, which had produced a new 30-year HRA business plan. Background was also provided on the key components of the new HRA Self Financing regime, where the Council would “buy out” of the national system and details were given of the indicative sums involved. Reference was made to the 2009 stock condition survey and the works identified to council properties over the next 30 years, together with the initial borrowing required in early years of the self-financing regime. It was noted that other councils in the region were less constrained and through this process would have more spending “headroom”. This was because the settlement for the District was one of the highest in the region and the “per unit” figure was linked to the general economic profile of each area. There was also a need to take account of tenant’s aspirations and it was noted that current tenant satisfaction levels were amongst the highest in the country.

Members explored the disparity in costs and a context was given on the Government’s position in response to such arguments. Lobbying had taken place already, but it was repeated that this proposal was better than the current system.

Next, the report covered income assumptions in the HRA Self Financing settlement and the HRA Business Plan. It was confirmed that the self-

financing payment to Government would be based on the assumption that income would go up in line with national policy. Currently, rent levels were 10.2% behind the national policy. The income and expenditure profile used within the HRA Business Plan was also based on rents rising in line with the Government's formula rent. The idea behind formula rent was that it was linked to the local economy and local circumstances. Against this formula the Council was undercharging significantly and a 5-year rent policy was proposed rather than the annual consideration of rent increases. The difference between the current average weekly rents charged and assumed rent levels equated to an income shortfall in this year of over £1m. It was noted that since April 2011, any properties that became vacant had been re-let at the formula rent and 4.4% of the properties were now let at formula levels. A Member expressed concern at this policy, given her role as the Equalities Champion.

It was noted that the national formula system sought to link social rents to local circumstances and not to make them market rents. Comparative figures were given for the monthly rent of a council property and the market rent for a similar property.

Next, the report addressed future national rent policy (rent convergence) and increases in formula rent. It reiterated that rent levels were 10.2% behind the formula and the assumption that formula rent would be achieved within the next four years. A breakdown was given on the formula increase, based on the Retail Price Index inflation rate, which had been set at 5.6%, together with other known charges to achieve convergence over the next four years. This meant that the average guideline rent increase would be of the order of £5.60 per week. There was discussion about the move to formula rent and how quickly this should be pursued. A question was submitted about the proportion of tenants on housing benefit and 65% were in receipt of full or partial benefit for their rent costs. This figure was anticipated to increase slightly in moving to formula rent.

The current national policy was that all social housing tenants should be at formula rent within four years. A further explanation was provided on this process and if the Council sought to achieve the move to formula rent in one go, rents would need to increase by £10.67 per week.

The report then considered housing benefit, before turning to the investment needs of the housing stock. This included a table showing the works required over the 30-year business planning period, totalling just over £1m. Subsequent paragraphs explained the repair categories of catch-up repairs, major works, contingent repairs, related assets and improvements.

Reference was made to the Council's 52 garage sites, the proportion that had garages on these sites and those that were un-let. The officer offered to provide these figures to Members. There was recognition that the popularity of garage sites had diminished over recent years and concerns about the inadequate size, age and lack of lighting, which meant these, were more often used as a lock-up store. Officers explained options that had been looked at previously for the disposal, redevelopment and improvement of certain sites.

The report concluded by looking at other costs and income streams, together with moving forward on a rent income policy.

A Member commented on the ability to calculate income levels, but the uncertainty regarding interest rates and annual repayments. Reference was made to the report submitted to the Finance and Management Committee the previous week and the assumptions being used in preparing for self-financing. It was anticipated that the annual repayments would be less than the current subsidy arrangements.

A comparison was sought to other councils regarding the difference between formula rent and the current rent levels charged. This was duly provided together with a response to a related question on how tenants had been informed about this process to date. Reference was also made to the Housing Benefit arrangements and the implications if rent levels were set higher than the formula rent. The impact of “right to buy” sales was questioned and it was noted that receipts would continue to be returned to the Government, as with the present arrangements. Current projections showed a continuing trend of low annual sales of Council properties. However, this could change if the economy altered. Reference was also made to a recent announcement by the Prime Minister about increasing right to buy discount percentages. A further area discussed was the treatment of housing revenue receipts as general capital income.

Views were expressed about moving to the formula rent levels and the use of a 5-year strategy to achieve convergence. The Chairman of the Housing and Community Services Committee contributed, referring to the business plan and other strategies such as that for repairs. The Council could identify how much expenditure was required, but had no certainty over income levels and a 5-year approach would be preferable. A Member stated the need for transparency and to keep tenants informed. A further point was the potential hardship for tenants if the move to formula rent was sought too quickly. The potential for a change in the rules on rent restructuring was also highlighted.

Having debated this matter, and in order to assist the Housing and Community Services Committee in formulating its views on the income strategy, it was suggested that a seminar be arranged, open to all Members of the Council and that this be held prior to the policy committee meeting.

The Committee asked Officers to organise a Members’ seminar to provide further information on issues in formulating the income strategy and that this be held prior to 24th November 2011.

OS/13. **REIMBURSEMENT OF HOUSING SUBSIDY BENEFIT**

Under Minute No. OS/8 of 14th September 2011, the Committee approved the scope for this review area. A report was submitted to provide background and further information on the review of housing benefits subsidy. As this was a broad service area, the review was focussing on the amount of housing subsidy due to the Council in respect of homeless persons, vulnerable groups in supported accommodation and to support the administration of housing benefits.

Following the background, the report included sections on benefit claims, the local housing allowance and eligible rent. The report explained that not all the costs of eligible benefit claimed were reimbursed through the subsidy system and the difference was met by the Council. Sections were then included on homeless families, self-contained accommodation and discretionary payments, before looking at tenants in supported accommodation and benefit administration subsidy.

Next, the report considered the situation in South Derbyshire. Since 2009/10, additional costs of approaching £100,000 per year had been met by the Council due to changes in the benefit rules. In 2010/11 alone, additional costs of over £60,000 were incurred. Additionally, the Council's core grant for administering benefits had reduced.

With regard to homeless persons, as a last resort, the Council placed people in guest house/cheap hotel accommodation. Whilst rates varied, these were between £30-50 per night per room. Benefit subsidy was capped at around £90 per week and an example was set out within the report to show typical costs that the Council had to meet.

If the Council were to continue with its current policy, then better rates could be negotiated with service providers. The Government could be lobbied to take account of South Derbyshire's situation. A further option was to look at providing alternate accommodation through short-term, leases to make use of currently empty properties. The report explained the weekly subsidy amounts which could be recouped and a further example was set out within the report of how this could work. This could reduce costs substantially, but was dependent on identifying a suitable property/landlord. It also had the added benefit of bringing empty homes back into use.

The report referred to supported accommodation, again confirming the shortfall in 2010/11 of £40,400 for the 60 cases eligible for help. A further example was set out within the report showing the comparative costs falling to the Council between April 2009 and September 2011. Next, the report addressed subsidy for benefit administration and tables showed trends in housing benefits caseloads and grants to caseloads. Further commentary was then provided on the fall in core grant funding over the last four years.

In response to a question, it was confirmed that the shortfall on benefits was met by the General Fund. There was a discussion on the implications of administering short-term leased accommodation. On benefit administration, it was questioned whether any benchmarking against other councils had been undertaken. Officers explained the current arrangements in place. Consideration was given on how to proceed with this review area.

It was agreed:-

- (1) That this review is undertaken by the full Committee rather than using a task group approach.**

- (2) That a progress report on the options set out above is submitted to the Committee's Meeting on 7th December 2011.**
- (3) That a final option paper be submitted to the Committee's Meeting on 18th January 2012, with a view to making recommendations to a policy committee.**

OS/14. **WORK PROGRAMME**

It was reported that the Overview and Scrutiny Committee agreed an annual work programme, which was reviewed at each Meeting. The Agenda for December included the quarterly report on the use of RIPA powers and an update on the Swadlincote Woodlands Scheme.

Members were reminded of the task groups appointed at the September Meeting and further appointments were sought for the task group on Early Years Provision in South Derbyshire. Members discussed the Funded Voluntary Organisations (FVO) review and it was suggested that it be undertaken by the full Committee, rather than a task group, in future. An approach had been made by Peoples Express to give a presentation to Members and it was suggested that this be included on the next Agenda and that the next Meeting be held at Sharpe's Pottery, where Peoples Express was located. Copies of the Community Partnerships Annual Report were also available, which provided further background on the FVOs. A Member suggested that a series of standard questions should be developed for each of the FVO reviews and this would be taken on board.

The Chairman reported on her recent attendance at a regional scrutiny meeting and officers gave an update on the continuing health scrutiny work being co-ordinated by Derbyshire County Council, with support from the Centre for Public Scrutiny.

It was agreed:-

- (1) That Councillors Atkin and Mrs. Hood be appointed to the task group for Early Years Provision in South Derbyshire.**
- (2) That the Funded Voluntary Organisations Review is undertaken by the full Committee rather than a task group.**
- (3) That Peoples Express is selected as the next FVO to be reviewed and that this be included on the Agenda for the Meeting on 7th December 2011, with the Meeting being held at the Sharpe's Pottery Centre, where the Peoples Express is located.**
- (4) That in order to ensure consistency, Members formulate a series of standard questions for all future FVO reviews.**
- (5) That the work programme report be received.**

MRS. A. PLENDERLEITH

CHAIRMAN

The Meeting terminated at 7.55 p.m.