

HOUSING AND COMMUNITY SERVICES COMMITTEE (SPECIAL)

12th January 2006

**PRESENT:-****Labour Group**

Councillor Southern (Chair), Councillor Richards (Vice-Chair), Councillors Carroll, Dunn, Mulgrew, Whyman, M.B.E., and Wilkins.

**Conservative Group**

Councillors Harrison, Hood, Mrs Littlejohn and Shaw.

**Independent Member**

Councillor Mrs. Walton.

**In Attendance**

Councillor Atkin (Conservative Group).

**MATTERS DELEGATED TO COMMITTEE**HCS/69. **SERVICE ESTIMATES 2005/2006 AND 2006/2007**

The Committee considered a report by the Director of Corporate Services on the Service Estimates 2005/2006 and 2006/2007. Members were advised that the purpose of the report was to detail the Committee's probable out-turn for 2005/2006 and estimate of net revenue expenditure for 2006/2007. Members were informed that it was proposed that these estimates would be included in the consolidated budget of the Council for 2006/2007, subject to the Council's overall financial position.

Committee was also advised that the report set out proposals for the level of fees and charges under its responsibility for the next financial year. The report also included a summary of the Committee's existing capital investment programme.

Committee was advised that its net revenue expenditure (excluding deferred charges) was summarised in appendix 1 of the report which set out the estimates for each main cost centre and aggregates several of the main service areas. A summary of this information was provided in the table set out below:

<b>Analysis of Estimated Net Revenue Expenditure 2005/06 to 2006/07</b>	Original Estimate 2005/06 £'000	Probable Out-turn 2005/06 £'000	Original Estimate 2006/07 £'000
Public Health Services	61,040	57,690	64,800
Private Sector Housing	502,160	464,950	506,000
Parks and Open Spaces	867,700	923,170	994,150
Leisure Centres	440,200	395,560	390,630
Crime and Disorder	214,080	225,710	267,870
Other Leisure and Community Services	549,640	564,250	576,100
Committee Total	2,634,820	2,631,330	2,799,550

Members were advised that there were no major variances across the Committee's services apart from those anticipated for which provision had been included in the Council's overall financial plan. Committee was informed that a summary of the charges in the main service areas in respect of the following matters were detailed in the report.

- Private Sector Housing
- Parks and Open Spaces
- Leisure Centres
- Crime and Disorder

#### HCS/70. **CAPITAL CHARGES**

Members were advised that in accordance with accounting regulations, all services were required to show the capital cost of using assets that were used in the provision of services. These were detailed in the form of internal recharges from the Council's Finance and Management Committee and consisted of three elements depending on the type of assets/expenditure incurred and were detailed as follows:

- An interest charge of 3.5% or 4.95% on the value of the asset depending on the asset type.
- Depreciation on land, buildings, plant and equipment to write down the value of the asset over its useful life.
- A deferred charge that represents capital expenditure due to its size but does not produce an asset for the Council.

Committee was advised that capital charges may vary from year to year, especially deferred charges as they depend on the level of capital grants and contributions in the year. Members were informed that it was important to note that these charges were purely accounting adjustments which were reversed out in the Council's asset management account (in the Finance and Management Committee). Committee was advised that the budget for 2006/2007 had been compiled initially at November 2005 prices and an allowance for inflation had been added where this was considered unavoidable to cover for price increases to March 2007. Committee was informed that inflation measures were based on data available from HM Treasury for various categories of income and expenditure, the assumptions built into estimates were as follows:-

- Employee costs – 2.95% (as per the existing national pay settlement).
- Responsive repairs and maintenance – 2.5%
- Planned maintenance – 5%
- Utilities – 5%
- Business rates – 2.7%
- Fuel – 5.6%
- Insurance premiums – 2.7%
- Other supplies and services – 2.7%
- Office Expenses (equipment, stationery, etc) – cash limited
- Other Categories – 2.68% (the Government's general measure of inflation)
- Other income (excluding rents) – 2.68%

Members were advised that the estimates were also based on service levels in 2005/06 continuing and included any full year effects on previous year's growth and capital expenditure and were reminded that any non-recurring items had been removed.

### HCS/71. **CAPITAL INVESTMENT**

The report outlined the current schemes in the Council's approved capital investment programme for 2005/06, these were detailed as follows:

<b>Scheme</b>	<b>Cost £'000</b>	<b>Note</b>
Renovation of Cemeteries	31	£12,000 spent to-date. £25,000 also provisionally included for 2006/07.
Burglary/Crime Reduction	15	
Provision of Youth Facilities	30	£60,000 per year provisionally included to 2009/10.
Better Homes/Neighbourhood Initiatives	25	
Restoration of Maurice Lea Memorial Park	770	Council contribution £100,000 – work well underway.
Modernisation of Play Areas	169	Works may run beyond 2005/06.
Coton Park Community Facility	102	Substantially complete, Council contribution £20,000.
Provision of Artificial Sports Pitch	405	Funding now secured – Council contribution £90,000 – work to commence in early 2006.
Community Partnership Scheme	301	Unlikely to be totally allocated by the year-end. £150,000 per year also provisionally included to 2009/10.
Rosliston Forestry Centre	102	Being used to support “Get Active in the Forest” project.
Mount Pleasant Football Pitch - Drainage	20	Funding to be transferred to Parish Council to complete works.
Oversetts Recreation Ground – Pitch Improvements	20	Order for works now placed.
Etwall Leisure Centre	250	Provision set aside as contribution to upgrading/developing facility. Partnership funding still to be secured.
Greenbank Leisure Centre – Plant Upgrade	5	Still to be committed.

### HCS/72. **PROPOSED FEES AND CHARGES 2006/07**

Committee was advised that Appendix 2 of the report provided a schedule of the level proposed that would operate from 1<sup>st</sup> April 2006 together with a comparison of the existing charge. Members were informed that no major changes were proposed for 2006/07 and generally it was proposed that fees and charges would be increased by around the rate of inflation (2.68% the Government's general measure of inflation).

The Committee also considered a supplementary report: Draft Corporate Plan – Development of the Long List of Proposals. The Committee noted that the proposals for the Housing and Community Services Committee were shown shaded on the document.

**RESOLVED:-**

***(1) That the estimates of Revenue Income and Expenditure for 2005/06 and 2006/07 for the Committee's services having been considered be referred to the Finance and Management Committee for approval.***

***(2) That the Committee's proposed fees and charges for 2006/07 as set out in the report be approved.***

HCS/73. **HOUSING REVENUE ACCOUNT BUDGETS, FINANCIAL PROJECTIONS & PROPOSED RENT INCREASE 2006/07**

Committee was advised that the purpose of report before Members was as follows:

- To detail the Housing Revenue Accounts (HRA) probable out-turn for 2005/06, the base budget for 2006/07 and an up-dated financial forecast to 2015. The report also set out details of the proposed rent increase for 2006/07.
- The report provided details of the Government subsidy settlement for 2006/07 and 2007/08 and significant changes to rent restructuring.
- An overview of the framework of Housing Finance Regulations as set out at Appendix 3 of the report.

**Housing Revenue Account (HRA)**

The report before Committee advised Members that the overall forecast for the HRA continued to show a stronger financial position especially in the shorter term. Committee was advised this would help the account become more sustainable by 2015 (the Government's indicative target date). The balance on the HRA reserve was forecast to fall from its current level of £1.35m to just above £½m by 2015 which was the minimum level required to demonstrate sustainability of the HRA in the longer term.

Committee was advised there was still reliance on the use of £1m of capital resources to finance planned maintenance spending over the next 3 years. Without this the overall HRA account would fall into deficit by 2015. Members were advised that the forecasted deficit on the HRA increases from 2008/09 and is forecast to around £370,000 per year by 2015 i.e. an overall core expenditure will still be above overall income. Members were reminded of the previous reported forecast in July of 2005 which showed a negative balance of approximately £400,000 by 2015 (included the £1m capital support). The approved business plan for the HRA produced in November 2005 indicated a more favourable position than this. Committee was advised that detailed figures regarding the HRA were set out in Appendices to the report and include the following information:-

- Appendix 1 – Summary of each main income and expenditure head within the HRA for 2005/06 to 2014/15, together with the yearly surplus/deficit and balance on the HRA's reserve.
- Appendix 2 - An analysis of how housing subsidy has been calculated.

Members were advised that the up-dated estimate following the 2004/05 final accounts which was reported in July 2005 showed an overall surplus (after capitalising planned maintenance works) of approximately £319,000. Committee was advised that the probable out-turn now showed an overall surplus of around £387,000, the main reasons for the increase on the estimated surplus were as detailed in the table set out below:

Increased rent due to reduction in empty properties and house sales	£90,000
Lower overall management costs (estimated at approximately £1.5m)	£55,000
Review and reduction in council tax liability on empty properties	£30,000
Increase in other income and interest	£25,000
Other reductions – mainly capital costs transferred from the Gen. Fund	£20,000
<b>Sub Total</b>	£220,000
Less – Increase in overall repairs budget to reflect actual spending	£150,000
<b>Overall increase in estimated surplus</b>	<b>£70,000</b>

### **Housing Subsidy**

The Committee was advised that Appendix 2 of the report set out details relating to housing subsidy. The main issues arising from the Government's National Housing Subsidy settlement for 2006/07 and 2007/08 were detailed as follows:-

- Extensive volatility resulting from the re-shaping of management and maintenance allowances and the implementation of a rent restructuring review.
- Larger than usual rent increases (especially for larger properties)
- A further tightening of the national resources available for the management of Council housing.
- Sharp regional differences.
- Increases in capital funding through the major repairs allowance.

### **Rent Restructuring and Proposed Rent Increase 2006/07**

Committee was advised that rent restructuring was introduced in 2001/02 with a purpose of basing rents on property values, local wages and the number of bedrooms in the property. It also intended to eliminate differences between rents set by Local Authorities and those set by other housing providers. Members were informed that the Government recognised that this could substantially change individual rents overnight and accordingly the Government's policy was to phase in changes between actual rents being paid today and those calculated under the national formula. Members were advised that full convergence was planned to take place by 2012.

Committee was informed that in 2004, the Government undertook a review of their policy in particular to change parts of the formula in order to up-date it for:

- Larger properties (to increase the weighting of properties with 3 or more bedrooms).
- To reflect increases in property values since 2000.

The above proposals would be introduced from 2006/07 and Committee was advised that all Authorities would need to re-calculate formula rents for each tenant back to 2001/02 and up-date it to 2006/07 in accordance with the changes highlighted in the report.

Committee was advised that the Government had set a national average increase in rents of 3.2% (2.7% for inflation + 0.5% real terms increase).

Members were informed that after re-calculating formula rents and applying the 3.2% increase, individual tenants will see their rent change depending on how their current rent compared to their new target calculated under the up-dated formula.

Committee was advised that the average increase for Council tenants was a 5% rent increase which approximated to £2.50 but there was a range of changes which was summarised in the table set out below:

<b>Level of Increase</b>	<b>Number of Properties affected</b>
Less than £1 per week (up to 2%)	311
Between £1 to £2 per week (up to 4%)	587
Between £2 and £3 per week (up to 6%)	966
Over £3 per week (highest is £3.84 per week – 7.1%)	1,334
<b>Total Properties</b>	<b>3,198</b>

#### **Summary of Main Assumptions and Risks – Housing Revenue Account**

Details of the current assumptions beyond the current base estimate from 2007/08 for the major categories of income and expenditure in HRA were reported to Members as follows:-

- **Housing Repairs** – an increase of 5% in overall spending, to reflect the traditionally higher than average inflation increases in the building/maintenance sector. **In addition, the current expenditure level on repairs has been assumed to continue over this forecasting period.**
- **General Management** – largely staffing costs, increased by 3% per year, assuming current service provision.

- **Net Cost of Rent Rebates** – being phased out in accordance with rent restructuring by 2012.
- **Rents** – target and actual rents increased by 3% per year. This is in accordance with Government plans.
- **Council House Sales** – currently 60 per year, being reduced over the forecasting period to 24 per year by 2015. Clearly, this can be volatile and is subject to external factors outside the Council's control.
- **Management and Maintenance Allowances** – continuing real-terms increases of 1% per year in accordance with Government plans.
- **Supporting People Grant** – will be subject to on-going review by the administering body. The level of support could be reduced in accordance with national aspirations for efficiencies in this area. The longer-term projection assumes a freezing of the current base (income) budget.
- **Payment to the Government Pool** – arguably this is the biggest risk area especially as it is effectively outside the Council's control. This settlement for 2006/07 demonstrates the volatility of the system. The Council continues to fair well from increases in management and maintenance allowances, but it is the interplay between rents set nationally and those set locally, that has the greatest effect on the HRA.
- **National Resources** – following on from the above, the future level of resources for housing nationally beyond 2007/08 will be determined in the Government's Comprehensive Spending Review in 2006. Any potential effects on the Council will be closely monitored.

**RESOLVED:-**

- (1) That an average rent increase of 5% for 2006/07 in accordance with the government guidelines be approved and be adjusted for individual tenants in accordance with the Rent Restructuring Formula.***
- (2) That the proposed estimates of Income and Expenditure for 2005/06 and 2006/07 for the Housing Revenue Account having been considered be referred to the Finance and Management Committee for approval.***
- (3) That the up-dated financial forecast for the Housing Revenue Account to 2015 be noted.***
- (4) That Officers be requested to write to Council tenants to explain the reasons for the increase in rent and how this action will benefit tenants in the long term.***

HCS/74. **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

**RESOLVED:-**

*That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.*

**INCREASING THE UNIFORMED PRESENCE IN SOUTH DERBYSHIRE (Paragraph 1)**

*Members considered a report on proposals to increase the uniformed presence in South Derbyshire. The Committee agreed to consider this matter as an item of urgent business to allow the recruitment process to proceed so that the uniformed presence could be deployed at the earliest opportunity.*

*The Committee agreed to progress this matter and approved the recommendations set out in the report.*

R.W. SOUTHERN

CHAIR