

OVERVIEW AND SCRUTINY COMMITTEE

10th February 2010

**PRESENT:-**

**Conservative Group**

Councillor Jones (Chairman), Councillor Mrs. Farrington (Vice-Chairman) and Councillors Mrs. Hood and Mrs. Plenderleith.

**Labour Group**

Councillors Bambrick and Lane.

OS/19. **APOLOGIES**

Apologies for absence from the Meeting were received from Councillor Atkin (Conservative Group) and Councillor Mrs. Mead (Labour Group).

OS/20. **MINUTES**

The Open Minutes of the Meeting held on 9th December 2009 were taken as read, approved as a true record and signed by the Chairman.

OS/21. **HOUSING REVENUE ACCOUNT BUDGET, FINANCIAL PROJECTION AND PROPOSED RENT INCREASE 2010/11**

The Committee received a presentation from the Head of Finance and Property Services on this item to accompany the comprehensive report that had been considered by the Housing and Community Services Committee the previous week.

As part of the annual financial planning cycle, the report detailed the Housing Revenue Account's (HRA) base budget for 2010/11, together with an updated financial forecast to 2020. It detailed the proposed rent increase, together with the Government's subsidy settlement for 2010/11 and provided an analysis of estimated income and expenditure with a comparison to the subsidy settlement for 2010/11.

Prior to 2009/10, the HRA had been operating in surplus in the short term. However, the 10-year financial plan forecast a longer-term budget deficit. To maintain anticipated levels of expenditure, and based on assumed income, this deficit was to be financed by drawing on the relatively high level of general reserves from the HRA. Previous plans had highlighted that by years 6 or 7, the HRA's reserve would fall below its minimum level of £1/2m and be well in deficit before year 10. In addition, projections had effectively assumed a standstill budget from year to year.

Following the review of the HRA's budget, the Government's subsidy settlement for 2010/11, together with their guidelines for rent levels next year, the 10-year financial projections had been updated. This showed a worsening position. The HRA continued to operate in deficit, with the first year under the £1/2m minimum reserve level being in 2015/16, compared to 2017/18 previously. The main reasons for this were, firstly, that the Council's average rent level would fall behind the Government's guideline rent from 2010/11. This was due to the fact that rent increases for many South Derbyshire tenants would be constrained within a maximum increase allowed under Government guidelines. Therefore, the HRA would not increase its overall income in line with that set in the subsidy settlement. In addition, the Council's settlement for 2010/11 showed increases for management and maintenance allowances below the national average, but its guideline rent increase was above average. A further factor was that the remaining contingency held in the housing capital receipts reserve of £300,000 to support the HRA had now been earmarked for other capital expenditure. This would have sustained the HRA's reserve above the minimum levels by a further year to 2016/17.

With regard to rent convergence, the dates had now been brought forward from 2023/24 to 2012/13, due to the current low level of inflation. The proposed average rent increase for South Derbyshire tenants for 2010/11 was 2.05%. However, many tenants would see increases above this, especially those who were still well below their formula rent. The largest increase was 2.82%.

The report then looked at the Council's payment to the national pool, which would increase from £3,081,265 in 2009/10 to £3,305,079 in 2010/11. However, this was approximately £50,000 greater than estimated in previous projections, mainly due to lower increases in management and maintenance allowances. A summary of the subsidy settlement to the estimated HRA in 2010/11 was provided within a table in the report. This table showed that overall the subsidy settlement assumed that the actual HRA was in surplus by an additional £291,650 and took this back to the national pool.

The updated 10-year projection continued to show that eventually the Council's HRA would become unsustainable. In the absence of any other changes this required a detailed review of all expenditure. In addition, similar to other local authorities services, housing was subject to the Government's efficiency target (cashable savings) of 4% of net expenditure 2010/11. A review of the current HRA business plan would be undertaken during 2010/11 and would include a review of all costs, including those charged from internal support services.

Whether the Council would be able to afford and become self-financing under Government proposals would be the key to future projections. The Council's analysis of this and a response to the Government's consultation were reported and considered by the Committee in October 2009. An announcement was now expected from the Government by the end of February 2010.

Details were provided in appendices, comprising a summary of each main income and expenditure head within the HRA, an analysis of how housing

subsidy had been calculated and examples that demonstrated the effect of the 2010/11 proposed rent increases on groups of tenants.

It was questioned whether penalties would be charged if rent convergence was not achieved, but confirmed that there was no penalty charge system. There was discussion about the projected position on reserves. In summary the HRA was operating in deficit; there was the need to maintain the housing stock and questions over the longer-term sustainability of the HRA. Members then discussed the potential for the Council to pursue the self-financing option, which would involve taking on a share of the national housing debt. It was questionable whether this would be financially viable. Officers explained that there were four options available, of which only one that was least favoured by the Government, might have benefits for South Derbyshire. The likelihood of all authorities participating in the self-financing initiative was questioned and whether the Government might ultimately legislate to require this way forward.

Questions were submitted about the rent levels of other registered social landlords and whether rent convergence would ever be achieved. There was a consensus amongst Members that the Overview and Scrutiny Committee could only note the report at this stage and await the outcome of decisions on self-financing.

The Head of Finance and Property Services gave an update on the overall budget position of the Council. A copy of the unconfirmed Minutes of the Overview and Scrutiny Committee held on 20th January 2010 were also circulated for Members information.

**It was agreed that the unconfirmed Minutes of the two budget scrutiny Meetings be submitted to Finance and Management Committee at its Meeting on 16th February 2010, as the budget scrutiny response.**

OS/22. **BROADBAND - UPDATE**

A verbal update was provided from the Task Group on this review area. A further Meeting had been arranged with British Telecoms (BT) and Openreach and would be held on Wednesday 24th February 2010 at 3.30 p.m. A survey of the infrastructure information was due to be received. An invitation had also been received to attend an East Midlands Regional Broadband Summit, which would be held at the East Midlands Development Agency on 12th February 2010. Following this, BT and Openreach would be invited to the Overview and Scrutiny Committee on 24th March 2010 to present their findings.

Following the attendance at the House of Lords, further press coverage had been received and this in turn had resulted in interest from across the country on the Broadband review.

A Member spoke about the need to improve Broadband speeds throughout South Derbyshire. It was acknowledged that whilst the current focus was on the Etwall exchange, there was a wish to improve services throughout the District. Funding issues were also discussed and ultimately, this would be a matter for the Council to consider, in terms of future funding applications. It

was noted that a presentation from North Yorkshire Council would be included at the Broadband Summit on Friday, 12th February 2010.

OS/23. **OVERVIEW AND SCRUTINY WORK PROGRAMME**

It was reported that the Overview and Scrutiny Committee agreed an annual work programme, which was reviewed at each Meeting. A report was provided on the Rosliston Forestry Centre review, which had been submitted to the Housing and Community Services Committee on 26th November 2009. The Policy Committee accepted the report and approved the recommendations from Overview and Scrutiny, including that for a further review, focussing on “Get Active in the Forest” and the Environmental Education aspects.

An update was given on the proposed review work on Crime and Disorder. It had been agreed to hold a special Meeting of the Committee for this purpose on 24th March 2010. Consultation had been undertaken with the Chairman of the Safer South Derbyshire Partnership and the Safer Communities Team about potential review areas. The Chairman welcomed Chris Smith, the Safer Communities Manager to the Meeting. It had been suggested that the Overview and Scrutiny Committee could review how Safer Neighbourhood project funding was allocated. This funding was designed to alleviate local crime and disorder problems by supporting community projects. The existing funding procedure had remained unchanged for a number of years. Another suggestion was for the Committee to look at anti-social behaviour and particularly how communities could work more closely with the Partnership, to tackle problems at an early stage. Finally, it was suggested that the Committee could look at how Section 17 training could be delivered across the Council, so each department was aware of its role in preventing Crime and Disorder. Research had also been undertaken on how other councils were approaching this new scrutiny area, and a table included details of reviews elsewhere in Derbyshire.

There was discussion about the suggested review area on how Safer Neighbourhood Project funding was allocated. Several Members contributed, seeking further information and giving initial thoughts on how the scheme could be improved. It was questioned whether the resources could be allocated on a quarterly basis, to overcome the current situation where the majority of funding applications were received late in the financial year. Similarly, it was questioned whether application deadlines could be made earlier and the application form could be reviewed to make it more user friendly and less repetitious. A comparison could also be made to similar funding schemes elsewhere. Questions were submitted about the evaluation process and typical grant sizes, with examples being given. It was questioned whether grant applications were ever refused and whether evidence was kept of the outcomes from this project funding.

The Chairman suggested that an additional Meeting be arranged with the Safer Communities Team, to brainstorm this review area, and all Members would be welcome to attend that Meeting. Initially, he would liaise with the Safer Communities Manager. At the dedicated Meeting on Crime and

Disorder on 24th March 2010, the scope of the review could be submitted and initial consideration given to this review area.

The involvement of external contributors was also discussed. An invitation would be made to the Chairman of the Safer South Derbyshire Partnership to attend the Meeting and it was also suggested that representatives of the Youth of Hatton Scheme be invited to attend. In terms of timings, the dedicated Meeting on Crime and Disorder would take place at 4.00 p.m. on 24th March 2010, prior to the scheduled Ordinary Meeting at 6.00 p.m.

**It was agreed:-**

- (1) That the Committee approves the arrangements outlined above for consideration of Crime and Disorder Scrutiny.**
- (2) That the work programme report be received.**

C. JONES

CHAIRMAN

The Meeting terminated at 7.10 p.m.