



**F. McArdle**  
**Chief Executive**

Civic Offices, Civic Way,  
Swadlincote, Derbyshire DE11 0AH

[www.south-derbys.gov.uk](http://www.south-derbys.gov.uk)

**Please ask for: Democratic Services**  
Phone: (01283) 595722 / 595848  
Minicom: (01283) 595849  
DX 23912 Swadlincote  
Email :  
[democraticservices@south-derbys.gov.uk](mailto:democraticservices@south-derbys.gov.uk)

Date: 2 February 2016

Dear Councillor,

### **Overview and Scrutiny Committee**

A Meeting of the **Overview and Scrutiny Committee** will be held in **Melbourne Assembly Rooms**, on **Wednesday, 10 February 2016** at **18:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Mrs. Farrington (Chairman), Councillor Swann (Vice-Chairman) and Councillors Atkin, Mrs. Coe and Mrs. Patten

**Labour Group**

Councillors Bambrick, Pearson and Mrs. Stuart



## **AGENDA**

### **Open to Public and Press**

- 1** Apologies
- 2** Minutes  
  
Overview and Scrutiny Committee 21st October 2015 Open Minutes **4 - 8**  
  
Overview and Scrutiny Committee 9th December 2015 Open Minutes **9 - 12**
- 3** To note any declarations of interest arising from any items on the Agenda
- 4** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6** SECTION 106 HEALTH BASED CONTRIBUTIONS - Verbal Update
- 7** HOUSING REVENUE ACCOUNT BUDGET, FINANCIAL PLAN **13 - 26**  
AND PROPOSED RENT 2016-17
- 8** WORK PROGRAMME 2015-16 **27 - 28**

#### **Exclusion of the Public and Press:**

- 9** The Chairman may therefore move:-  
  
That in accordance with Section 100 (A) 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 paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

- 10** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.



OVERVIEW AND SCRUTINY COMMITTEE

21<sup>st</sup> October 2015

**PRESENT:-**

**Conservative Group**

Councillor Mrs. Farrington, (Chairman), Councillor Swann (Vice-Chairman) and Councillors Atkin and Mrs Patten.

**In Attendance**

Councillor Mrs. Coyle, Councillor Roberts and Councillor Mrs. Wyatt (Conservative Group).

OS/17 **APOLOGIES**

Apologies were received from Councillor Mrs. Coe (Conservative Group) and Councillor Bambrick, Pearson and Mrs. Stuart (Labour Group).

OS/18 **DECLARATIONS OF INTEREST ARISING FROM ITEMS ON AGENDA**

The Committee were informed that no declarations of interest from Members of the Council had been received.

OS/19 **QUESTIONS RECEIVED BY MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO. 10**

The Committee were informed that no questions from members of the Public had been received.

OS/20 **QUESTIONS RECEIVED BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11**

The Committee were informed that no questions from Members of the Council had been received.

OS/21 **CEMETERY SERVICE AND PROVISION OF CEMETERY SPACE**

The Cultural Services Manager presented a report to update Members on the key findings of the audit of Parish Councils provision, which had been undertaken to assist in the consideration of the future cemetery needs of the district, and to seek direction from the Committee on what steps to take next.

The key finding for committee was that the audit confirms that whilst trends for burials nationally and locally remained static or slightly upward, in the urban core, space is running out. Other areas in the district appear reasonably well catered for but in less than a year all urban core burials would need to take

place at Newhall. If it was determined that South Derbyshire District Council (SDDC) needed to build a new burial site, decisions would be sought on how to find a new site, how to finance it and also how to manage it.

Queries and comments raised by Councillors relating to the inclusion of provision in the Local Plan Part 2, the unfortunate situation of people having to go to another Parish to bury a loved one, were noted and responded to.

**RESOLVED:-**

***1.1 The Committee noted the report and considered progress to date of the cemetery service and provision of cemetery space.***

***1.2 A further Cemetery Service and Provision meeting to be held to discuss the audit in more detail.***

OS/22 **DOMICILIARY DENTAL PROVISION IN SOUTH DERBYSHIRE**

Laura Burns, Assistant Contracts Manager, Christine Utting, Clinical Director for Derbyshire Community Health Services and Sandra Whiston, Consultant in Dental Public Health, from NHS England, made a verbal presentation to the Committee. The presentation outlined the background to the change in dental provision which came into effect in 2006. Prior to 2006, any qualified dentist could set up a practice wherever they liked and treat as many patients as presented themselves and receive a fee for work undertaken. Due to national budget constraints, there was a reference period, which determined how many Units of Dental Activity (UDAs) each existing NHS dental practice would be allocated per annum, and many practices became fully private. NHS Primary Care Trust's inherited those dental practices that were already in existence and there were no control over where practices were situated or how much dentistry was commissioned in each area. Existing Practices undertook domiciliary care in their neighbourhood, which tended to be for relatives of patients or patients who could no longer manage to get to the surgery and many dentists also often made dentures for those in care homes and were paid a fee for this service.

When the contract changed in 2006 domiciliary care was removed as a Mandatory Service and became an Advanced Service to be commissioned in addition to the main contract held by the practice. Due to the problems with access to General Dental Services at this time, much of the activity was converted into routine dental care, and the majority of contracted domiciliary provision was lost. The current situation in this respect, with the challenges being posed by an aging population, the limited availability of domiciliary visits and the different options to facilitate access to dental services, is rapidly decreasing. It was confirmed that, due to funding issues, no work had been possible with regard to attracting new dental practices, despite the need to address the requirements of an expanding population, particularly in South Derbyshire. One of the options to try a preventative pathway, was to train staff in Care Homes, where some patients with a simpler domiciliary dental requirement, could be treated, although this alone would not be enough to

make a significant difference to the rise in need. On a local note, NHS England is currently looking at the possibility of utilising the Health Centre in Swadlincote to offer domiciliary dental provision for the most in need. Provision of dental care in general is based on a National Survey which is undertaken every 5-years, this information determines where the most deprived areas are and where the need is strongest i.e. dental decay in young children being a public issue.

Queries and comments raised by Councillors relating to housebound patients, waiting lists, costs, visits, facilities at local NHS establishments, why some areas offer more provision, where large planning applications be taken into account when monies are allocated, dentists practices transferring from NHS to private practice and the redeployment of NHS funds, were noted and responded to.

The Committee thanked Ms. Burns, Ms. Utting and Ms. Whiston for their attendance and presentation.

**RESOLVED:-**

***1.1 That the Committee noted the presentation.***

***1.2 That the Chairman be invited to the 1<sup>st</sup> meeting of the Dementia Friendly Clinic Panel.***

***1.3 That the 5-year national Survey information be distributed to the Committee.***

OS/23 **GP SURGERY PROVISION IN SOUTH DERBYSHIRE**

The Locality Manager, Mr. Robert Hill from the Southern Derbyshire Clinical Commissioning Group (SDCCG), made a verbal presentation to the Committee explaining that £731 Million of public money had been allocated to help deliver the five year operational plan set out in 2015/16 with particular emphasis on the following issues:-

- Better Prevention
- Empowering Patients
- Engaging Diverse Communities
- Developing New Model of Care.

SDCCG is a member of both Derby City and Derbyshire County Health & Wellbeing Boards and works closely with other organisations and local authorities to promote the integration between health and social care. The Better Care Fund (BCF) has been an important development during 2014/15 and will continue to play an important role in joining up the two services. There is less care delivered in hospitals than ever before due to more preventative services being successfully delivered through the local GP Surgeries. However more needs to be done to improve the aftercare people receive during convalescence. In order to try and combat these issues steps have

been taken to try and bring teams together under one roof, attach more services and 'skill mix' by training Nurses and Pharmacists to a higher level of care to enable Doctors to concentrate on the more pressing cases, along with the introduction of video interviews. Last year the Government announced a £1 million grant to help support improvements to existing GP surgeries and Health Centres

Queries raised by Councillors relating to the current capacity of local surgeries, waiting lists, the possibility of a Satellite Surgery in Hatton, why some areas offer more provisions than other, large Planning application with no provision, and the use of Section 106 Monies which had been allocated but not used, were noted and responded to.

The Chair of Overview & Scrutiny requested that a public meeting regarding GP surgeries be held.

Mr. Hill will feedback comments and concerns from tonight Committee meeting to both Derby City's and Derbyshire County's Health & Wellbeing Boards.

**RESOLVED:-**

***1.1 The Committee noted and thanked Mr. Hill for his attendance and presentation.***

***1.2 That a public meeting be organised to which Mr. Hill will be invited to attend***

OS/24 **SECTION 106 HEALTH BASED PLANNING CONTRIBUTIONS**

The Planning Services Manager delivered a verbal presentation on the current situation regarding Section 106 Contributions, reporting that since the working relationship with SDCCG and Robert Hill had started, the position had very much improved. With regards to the question about the £55k of unallocated Section 106 Money for Melbourne, by the Chair of Melbourne Parish Council, the Planning Service Manager responded that they are still awaiting information from the NHS England on the current situation. South Derbyshire District Council (SDDC) are only allowed to release funds when SDCCG has received a delivery time of the build, and completed application form is received. Mr. Robert Hill

Queries raised by Councillors relating to allocation of earmarked Section 106 money, the process of public consultation and underspend funds, were noted and responded to.

**RESOLVED:-**

***That the Planning Service Manager would organise a meeting with Mr. Hill and nominated colleagues to concentrate on underspent Section 106 Monies.***

OS/25 **COMMITTEE WORK PROGRAMME 2015/16**

The Chairman asked for three volunteers to take part in a Council Tax Arrears Working Group.

**RESOLVED:-**

***That the Committee Work Programme be noted.***

The Meeting terminated at 8:00pm.

COUNCILLOR MRS G FARRINGTON

CHAIRMAN

OVERVIEW AND SCRUTINY COMMITTEE

9<sup>th</sup> December 2015

**PRESENT:-**

**Conservative Group**

Councillor Mrs. Farrington, (Chairman), Councillor Swann (Vice-Chairman), Councillor Mrs Coe and Councillor Mrs Patten.

**Labour Group**

Councillor Bambrick and Councillor Mrs. Wyatt.

OS/26 **APOLOGIES**

Apologies were received from Councillor Atkin (Conservative Group) and Councillor Pearson (Labour Group).

OS/27 **DECLARATIONS OF INTEREST ARISING FROM ITEMS ON AGENDA**

The Committee were informed that no declarations of interest from Members of the Council had been received.

OS/28 **QUESTIONS RECEIVED BY MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO. 10**

The Committee were informed that no questions from members of the Public had been received.

OS/29 **QUESTIONS RECEIVED BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11**

The Committee were informed that no questions from Members of the Council had been received.

OS/30 **ELECTORAL SERVICES**

The Chief Executive Officer presented a report to update Members on the revised structure of the Electoral Services Department. South Derbyshire is a fast growing district and with the demand on the electoral service and the recent move to Individual Electoral Registration (IER), continued resilience is crucial. The changes to the service will ensure that high standards of the service are continued into the future.

**RESOLVED:-**

***To note the changes in structure to the Electoral Services section.***

OS/31 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) –  
QUARTERLY REPORT ON USAGE**

The Chief Executive Officer outlined the report, emphasising that the usage of RIPA (Regulation of Investigatory Powers Act) during the period September 2015 to November 2015 was nil. Following an inspection earlier in the year, South Derbyshire District Council remains accredited as an excellent local authority.

**RESOLVED:-**

***That the internal report on the Council's use of the Regulation of Investigatory Powers Act 2000 be noted.***

OS/32 **COMMUNITY AND PARTNERSHIP SCHEME**

The Chair of Overview and Scrutiny Committee stated that since she had been an applicant on behalf of one of the organisations awarded a grant through this scheme, this item would be chaired by the Vice-Chair.

The Community Partnership Manager presented the report to committee regarding the potential review of the grant application process in conjunction with South Derbyshire CVS. He highlighted that the scheme had been established to deliver two separate and distinct objectives to support the work of the District Council, firstly providing funding advice and supporting non-profit developing projects that benefit local residents, and secondly to attract inward investment to support larger capital projects. Recognising the change in the funding environment the scheme rules were amended in 2014/15 to allow applications for up to 50%, rather than the initial maximum of 25%, of the total project value.

Comments made by Councillors related to the CVS's involvement with supporting applicants through the process, the possibility of individual Councillors having access to a small pot of money to support the smaller local groups, how long the complete grant process takes, and making application forms more user-friendly including the use of plain English, were noted and responded to.

**RESOLVED:-**

***1.1 That the Committee recognised that the Community Partnership Scheme continues to address aims and objectives of the Council through both inward investment and support of non-profit organisations in the District.***

***1.2 That the Committee supported a review of the grant application process and associated paperwork, to be undertaken in conjunction with South Derbyshire CVS. This will include a review to make***

***recommendations about how the process can be made more accessible for non-profit groups working to support residents of South Derbyshire.***

***1.3 That the Community Partnership Manager work with Members of the Committee to simplify the grant application form.***

OS/33 **SECTION 106 HEALTH BASED PLANNING CONTRIBUTIONS**

The Planning Services Manager delivered a verbal update on the current situation regarding Section 106 Contributions, reporting that since the working relationship with SDCCG (South Derbyshire Clinical Commissioning Group) had started, the position had very much improved. He presented a list of all S106 (Section 106) contributions received since 1<sup>st</sup> April 2009, which included details of what the allocation was earmarked for. One of the issues currently being looked at, was how the monies would be transferred from the NHS (National Health Service) to the allocated work, since any grant the NHS accept they receive in perpetuity.

**RESOLVED:-**

***That the Committee requested that details be added to each application, on how exactly the proposed Section 106 contributions would benefit the public.***

OS/34 **A REVIEW OF COUNCIL TAX ARREARS**

The Director of Finance and Corporate Services presented a report to Committee outlining the performance of the Council Tax arrears collection. Although the overall percentage (98%) of the collection rate is deemed good, the monetary amounts involved are significant.

The responsibility for the collection of Council Tax ultimately lies with the Council. Operational performance is included in the Corporate Services Contract with Northgate Public Services. Northgate are responsible for all aspects of revenue collection on a day-to-day basis, as part of the Contract, they are incentivised to maintain and increase collection rates. More and more people are encouraged to pay Council Tax by Direct Debit as arrears occur less frequently using this payment method.

Comments made by Councillors relating to how the Council could help encourage even more residents to pay by Direct Debit, were noted and responded to.

**RESOLVED:-**

***1. That the situation regarding Council Tax arrears is noted and that consideration be given to any further review.***

***2. That a leaflet be designed to encourage residents to pay their Council Tax by Direct Debit.***

OS/35 **COMMITTEE WORK PROGRAMME 2015/16**

The Committee asked that Derbyshire Community Health Service be added to the Work Programme for the January or February 2016 meeting.

**RESOLVED:-**

***That the Derbyshire Community Health Service be added to the Work Programme for 2015/16.***

The Meeting terminated at 7:40pm.

COUNCILLOR MRS G FARRINGTON

CHAIRMAN

<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>10<sup>th</sup> FEBRUARY 2016</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/budget round 1617/base budget policy reports/6 HRA/budget report 16 17
<b>SUBJECT:</b>	<b>HOUSING REVENUE ACCOUNT BUDGET, FINANCIAL PLAN and PROPOSED RENT 2016/17</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: OS</b>

## **1.0 Recommendations**

- 1.1 That Council House Rents are reduced by 1% for Tenants with effect from 1<sup>st</sup> April 2016 in accordance with provisions contained in the Welfare Reform and Work Bill 2015/16.
- 1.2 That the proposed estimates of income and expenditure for 2016/17, together with the 10-year Financial Plan for the Housing Revenue Account as detailed in *Appendix 1*, are considered and referred to the Finance and Management Committee for approval.

## **2.0 Purpose of the Report**

- 2.1 As part of the annual financial cycle, the report details the Housing Revenue Account's (HRA) base budget for 2016/17. In addition, the report details the updated 10-year financial projection for the HRA following a review during the annual budget round.
- 2.2 The report also sets out details of the proposed rent level for 2016/17 in accordance with the Welfare Reform and Work Bill 2015/16.

## **3.0 Detail**

### **The Position Entering the 2016/17 Budget Round**

- 3.1 In October 2015, the financial position of the HRA was reviewed. This followed the announcement in Central Government's Summer Budget earlier in the year that they were proposing to reduce rents in the social housing sector by 1% per year from 2016/17, for 4 years.

- 3.2 The report, which was considered by the Finance and Management Committee last October, highlighted a significant loss of income in the HRA Business Plan of £6m to 2020, rising to £19m by 2024.
- 3.3 This was due to the fact that the previous Business Plan had been predicated on real terms increases in social rents for 10-years. This was in accordance with previous Central Government policy following the introduction of the self-financing framework in 2012.
- 3.4 Based on this change, the financial projection showed that the HRA would not be able to meet the first debt repayment of £10m in 2021.
- 3.5 Therefore, the Finance and Management Committee approved a review of future capital investment plans. This was to ensure that the HRA could meet commitments for debt repayment in accordance with the approved debt repayment schedule and maintain a minimum working balance of £1m in accordance with the Financial Strategy.
- 3.6 This review has been undertaken. In addition, the Committee, at its meeting on 12<sup>th</sup> January 2016, approved in principle further capital investment designed to deliver additional New Build properties. The financial implications of the associated projects have been considered in the updated financial projection and their affordability is detailed later in the report.
- 3.7 This report also details the base budget resources for 2016/17, with an update on current spending.

### **Formulating the 2016/17 Base Budget**

- 3.8 Budgets have generally been calculated on an incremental basis, i.e. they are maintained at the same level as the previous year adjusted only for known changes and variations that have been identified through a restructure or efficiency programme. This approach is mainly applied to staffing costs.
- 3.9 However, many other budgets are subject to a base line review which is used to justify proposed spending. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner.
- 3.10 In addition to identifying possible budget savings, it can also identify potential cost pressures.

### **On-going Service Provision**

- 3.11 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 3.12 However, the full year effects of previous years' restructures and efficiencies are included, with any non-recurring items removed as identified in the report.

## Base Budget 2016/17

3.13 The HRA's Budget and longer-term financial projection up to 2026/27 is detailed in Appendix 1. A projection of this length is required for the HRA to ensure that future debt repayments and capital expenditure are affordable to ensure the longer-term sustainability of the Council's housing stock.

3.14 A summary of the base position on which the longer-term position is calculated, is shown in the following table.

HRA Base Budgets 2015/16 to 2016/17	Approved Budget 2015/16 £'000	Forecast 2016/17 £'000	Proposed Budget 2016/17 £'000	Change to Forecast £'000
<b>INCOME</b>				
Rents and Other Income	12,808	12,688	12,749	61
Supporting People Grant	240	270	240	-30
<b>Total Income</b>	<b>13,048</b>	<b>12,958</b>	<b>12,989</b>	<b>31</b>
<b>EXPENDITURE</b>				
General Management	1,577	1,677	1,765	88
Supported Housing	932	844	798	-46
Bad Debt Provision	44	43	43	0
Responsive Repairs & Planned Maintenance	3,341	3,369	3,219	-150
Debt Interest	1,681	1,731	1,690	-41
Depreciation	2,876	2,954	2,985	31
<b>Total Expenditure</b>	<b>10,451</b>	<b>10,618</b>	<b>10,500</b>	<b>-118</b>
<b>Net Operating Income</b>	<b>2,597</b>	<b>2,340</b>	<b>2,489</b>	<b>149</b>

3.15 The table shows the approved budget for the current financial year 2015/16, the forecast for 2016/17 (from September 2015) together with the proposed budget for 2016/17 following the base budget review.

3.16 The final column shows the difference between that forecast for 2016/17 and that now being proposed. The main differences are detailed below.

### Rents and Other Income

3.17 The reduction between 2015/16 and 2016/17 is due to the 1% reduction in rents and this was built into the forecast. However, the budgeted income for 2016/17 is now £61,000 higher than the forecast.

3.18 This is due to the rent income from new properties that are currently being built in the Phase 1 New Build programme, together with those properties acquired in Phase 2, being included in the budget for 2016/17.

3.19 This assumes that properties are built and let for rent by certain dates and this is detailed later in the report.

### **Supporting People Grant**

3.20 This is the contribution from the County Council. The budget for 2016/17 reflects that there is unlikely to be an increase from the level in 2015/16.

### **General Management and Supported Housing Costs**

3.21 Overall, these costs are estimated to increase by approximately £40,000 due to salary (incremental) increases, together with recharges from the General Fund.

### **Responsive Repairs and Planned Maintenance**

3.22 The budget for 2016/17 is £150,000 lower due to resources being brought forward into 2015/16 to complete planned works ahead of schedule. This was considered and approved by the Finance and Management Committee in December 2015 and reflects a timing difference in the overall financial projection.

### **Debt Interest**

3.23 The reduction in 2016/17 is due to a lower interest rate on the variable rate element of the self-financing debt. The rate is currently 0.7% and is expected to rise to 1.5% in 2016/17. However, this is lower than that included in the forecast of 2%.

### **Depreciation**

3.24 The increase is due to the additional properties being built/acquired which will be depreciated in accordance with accounting practice.

3.25 Depreciation is calculated on the existing value and age of each property in the HRA. This is designed to ensure that the Council sets-aside sufficient resources to maintain and replace properties in future years.

3.26 Clearly, the Council has an on-going capital programme and properties generally have a substantial useful life if maintained properly. Although the depreciation charge is included as a cost charged in the net operating income of the HRA, it is reversed out when calculating the overall surplus or deficit on the HRA as shown in Appendix 1.

3.27 However, under accounting regulations, the annual amount of capital expenditure, plus sums set-aside to repay debt, need to be greater than the calculated depreciation charge for the year. This is effectively testing that the Council is properly maintaining and financing the liabilities associated with its housing stock.

3.28 Where the depreciation charge is lower than actual capital expenditure/debt repayment, the HRA would be charged with the difference in that particular year.

### **The Longer-term Projection**

3.29 Following the introduction of the self-financing framework for the HRA in 2012, this generated a surplus for the HRA as the Council was no longer required to pay a proportion (approximately 40%) of its rent income to Central Government.

3.30 This released resources, which in the early years of the Housing Business Plan, were available for capital investment in the existing stock, together with resources for New Build. Surpluses in later years are to be used to repay the debt that the Council inherited in return for becoming “self-financing” and to continue a programme of capital maintenance in future years.

3.31 The HRA budget and projection is based on the principles that the HRA will carry a minimum unallocated contingency of £1m as a working balance and that sufficient resources are set-aside to repay debt as instalments become due.

3.32 Therefore, The *Net Operating Income* on the HRA revenue account each year is transferred to the Debt Repayment Reserve after ensuring £1m is maintained as a working balance.

### **HRA Reserves**

3.33 The HRA has 4 separate reserves as detailed in the following table.

<b>Working Balance</b>	Held as a contingency with a minimum balance of £1m.
<b>New Build Reserve</b>	Accumulated Capital Receipts pending expenditure on building new properties. The financial model assumes that these are drawn down each year to finance New Build ahead of any further borrowing. Therefore, the carrying balance from year to year remains low.
<b>Debt Repayment Reserve</b>	Sums set-aside to repay debt; contributions to the Reserve start from 2016/17 in accordance with the debt repayment profile.
<b>Major Repairs Reserve</b>	Any unused capital resources are transferred into this reserve pending completion of schemes or reprofiling of expenditure.

## **The Updated Financial Position**

3.34 Following the base budget review and need to find resources, the Financial Plan has been reviewed and updated. The Plan also includes the proposals to deliver a Phase 2 Programme in order to increase the Council's stock, as approved by the Committee on 12<sup>th</sup> January. The schemes are:

- Acquisition and refurbishment of properties on Alexander Road, Swadlincote - £0.22m.
- Further New Build at Lullington Road, Overseal - £0.6m.
- Development of the site, off Yard Close, Swadlincote - £2m.
- Purchase of properties at Rowley Court, Swadlincote - £0.9m.

3.35 The Council has secured grants towards these schemes from the Homes and Communities Agency, totalling £0.6m. This income has been included in the Financial Plan, together with rental income from New Build and acquired properties.

3.36 Overall, the Plan shows a sustainable position although future capital programmes have been substantially reduced to ensure the HRA remains sustainable.

3.37 *The overall position is now much tighter to ensure that a working balance of £1m is maintained and that future debt repayments are met.*

## **Debt Repayments and Borrowing**

3.38 The Council took on the management of debt valued at £58m in 2012. In addition, as part of the financial package to fund the Phase 1 New Build programme, it is planned to borrow a further £2.37m. This new borrowing is included in the Financial Plan in 2016/17 and 2017/18.

3.39 The following debt repayments are due over the life of the current financial plan:

- 2021/22 - £10m
- 2023/24 - £10m
- 2025/26 - £0.9m
- 2026/27 - £11.45m

3.40 The financial projection to 2026/27 shows that these repayments can be met. The next repayments are not then due until beyond 2030.

## Future Capital Expenditure

- 3.41 In order to ensure the sustainability of the HRA and to provide resources to fund the proposed Phase 2 New Build/Acquisition programme, it has been necessary to reduce the sums provisionally estimated for future capital works.
- 3.42 In total, £12m has been taken out of the previous financial plan, i.e. £2m in 2015/16 and 2016/17, together with £1m per year thereafter for the following 8 years. The on-going budget in the later years of the plan is £2m per year.
- 3.43 An assessment has been made to determine whether this funding is sufficient to maintain the housing stock in future years based on the latest stock condition information.
- 3.44 Early indications are that the capital expenditure detailed within the latest revision of the HRA Financial Projection will be sufficient to meet the Council's requirements. This has been subject to a broad review. A more detailed assessment will be undertaken as part of a review of the Council's HRA Business Plan, which will be reported separately to the Committee later in the year.

## New Properties and Rent Levels

- 3.45 The Financial Plan now includes the income expected from new properties currently being built (Phase 1) together with proposed acquisitions (Phase 2). This is based on expected completion dates as shown in the following table.

Project / Site	Expected Completion Date	Number of Properties			Total
		2015/16	2016/17	2017/18	
Coton Park, Linton	Feb-16	23			23
Pennine Way, Swadlincote	Jul-16		10		10
Lullington Road, Overseal - P1	Sep-16		12		12
Lullington Road, Overseal - P2	Oct-16		6		6
Alexander Road, Swadlincote	May-16		8		8
Rowley Close, Swadlincote	Apr-16		11		11
Yard Close, Swadlincote	Jul-17			20	20
		<b>23</b>	<b>47</b>	<b>20</b>	<b>90</b>

- 3.46 The table shows that up to 90 new properties for rent will become available over the next 3 years. Previously, the HRA's Rent Strategy had assumed that all new properties would be let at an "Affordable Rent," assessed locally. These rents are higher than normal social (council) rents, but still 20% less than an equivalent market rent in the private sector.
- 3.47 However, following recent direction and clarification from the Homes and Communities Agency (HCA) unless new properties are supported through their grant funding, new properties have to be let at social rent levels. Of the 90 new properties, approximately one-third will be let at affordable rents.

- 3.48 Individual rents will depend on the size and location of each property, but based on the units being built/acquired this is estimated at around £90 per week on average. This is higher than the Council’s current average rent of around £80 per week, but as highlighted above, this will be lower than a private sector market rent.
- 3.49 The remaining two-thirds of new properties will be let in line with social rent levels.
- 3.50 Overall, it is estimated that this will generate rent income of approximately £4.3m over the financial plan period to 2027. It is anticipated that the properties, once built and fit for occupation, will be let fairly quickly due to the current demand for social/affordable housing in the District as evidenced by the Council’s current waiting list.

### Key Variables and Assumptions

- 3.51 The Financial Plan is based on certain assumptions in future years regarding what are considered to be the key variables. These are summarised in the following table.

<b>Cost inflation</b>	2.5% in 2016/17 and 2017/18 and then 3% per year thereafter. This recognises that prices for materials in the building industry tend to rise quicker than average inflation.
<b>Annual rent increases</b>	A 1% reduction per year for 4 years (2016/17 to 2019/20) in accordance with the Welfare Reform and Work Bill 2015/16. Thereafter, CPI + 1% giving 2.5% increases in 2020/21 and 2021/22 and 3% per year thereafter.
<b>Council house sales – “Right to Buys”</b>	18 per year in 2015/16 and 2016/17. Future years are based on targets set by the Government in calculating the self-financing settlement. These reduce incrementally per year eventually reaching 10 per year by 2027.
<b>Interest Rates</b>	Predominantly fixed; £10m variable debt at 1.5% in 2016/17, rising to 2.5% in 2017/18 and to 3% in 2018/19 until maturity in 2021/22.
<b>New Debt</b>	£0.92m borrowed in 2016/17 and £1.45m 2017/18 to finance Phase 1 New Build. Assumption is that this debt is borrowed at a fixed rate of 3.5% for 10 years. In accordance with the Council’s Treasury Management Strategy, this borrowing will not be undertaken if additional capital receipts are generated. Due to the amount of cash reserves, internal borrowing between the General Fund and HRA could be used at a lower cost. This will be kept under review in the Treasury Management Strategy.

## **Financial Risks**

3.52 As highlighted earlier in the report, the Financial Plan is now much tighter and overall, the HRA has fewer resources at its disposal compared to the previous plan. The main risks are considered to be those as detailed in the following sections.

## **Future Rent Levels**

3.53 The rent level for the next 4 years (from 2016/17) will be set in accordance with the Welfare Reform and Work Bill 2015/16, i.e. a 1% reduction for each of those years. Beyond this, it has been assumed that rents will again be allowed to rise.

3.54 The Government have indicated that they have only suspended the previous rent policy for the next 4-years until Universal Credit is fully implemented. A recent statement by the Housing Minister stated that future rent increases would return to inflation linked formula.

3.55 This is not guaranteed, although it is considered that Central Government will be mindful that any further reductions in rent levels would need to be balanced against the affordability of HRA Business Plans.

3.56 Clearly, the HRA is wholly dependent on rent income for its resources. Even small variations in rent changes (e.g. 0.5%) can have significant implications in monetary terms for the Financial Plan over the longer-term.

## **Capital Expenditure**

3.57 As detailed in the report, resources available for on-going capital have been reduced substantially compared to the previous plan. As highlighted earlier, a detailed assessment of the Council's medium and long-term capital investment requirements will be undertaken by technical officers as part of a review of the Council's HRA Business Plan. This will be to ensure resources are invested wisely and that the stock meets future requirements.

## **Rent from New Build/Acquisitions**

3.58 As detailed in the report, rent income from the existing and proposed New Build/Acquisition schemes has now been built into the Financial Plan. As regards the three existing schemes which are nearing completion, the risk is that any delay in letting properties will affect income.

3.59 However, this is likely to be a short-term problem due to the demand for accommodation. In the longer-term, it is considered that the rent should remain achievable. As regards the other four schemes which have been approved in principle, three are subject to negotiation and/or tenders for the acquisition of land and property. If the Council is unsuccessful in this regard, then the Financial Plan is currently forecasting too much income.

3.60 However, if the schemes do not progress, the HRA will retain resources. In all four cases, the initial capital investment is greater than the rent income over the Financial Plan period.

### **Right to Buys**

3.61 A moderate decrease in current properties from sales continues to be built into the Financial Plan and this reflects the current level of sales. Therefore, the HRA will continue to generate resources for further New Build and capital works in the future, although on-going rent income is lost.

3.62 The main risk relates to a sudden surge in sales; although this will generate capital, the loss in on-going rental income could have a much more adverse impact on the HRA.

### **Supporting People Grant**

3.63 It has been assumed that this continues (cash limited) over the Financial Plan; this will be subject to policy decisions and directions from the County Council. There have been indications in recent years that this could be reduced from its current level.

### **Impairment**

3.64 Impairment is an accounting adjustment that reflects a sudden reduction in the value of an asset. An asset becomes impaired where a one-off event (e.g. fire, vandalism, etc.) causes significant damage or there is a significant change in market conditions, which reduces the value of the asset.

3.65 In accordance with accounting regulations, provision has to be made in an organisation's accounts for the loss in an asset's value through impairment. However, as with depreciation, this is purely an accounting exercise for local authorities. Impairment charges are reversed out of revenue accounts to ensure that it does not affect the "bottom line" and Council Tax or Rent (in the HRA's case) payable by Council Tenants.

3.66 The Government are currently reviewing this accounting treatment to bring local authorities into line with other organisations in accordance with International Reporting Standards. This is being challenged by the relevant professional bodies.

3.67 Impairment is rare. In addition, impairment needs to affect the wider asset base. For example, damage to one property would not affect the overall value of the Council's stock, which is currently valued at £90m in total.

3.68 Clearly however, if there was a wider event affecting many properties, this would lead to an impairment charge. It is considered that the most likely scenario is a sudden fall in property values as this would affect the overall valuation. The potential for impairment charges could have serious implications for all housing authorities and this is why it is being challenged.

## **Changes in Central Government Policy**

3.69 Although the HRA continues to operate under a self-financing framework, Central Government retain the power to change policy in many areas which can impact upon the Financial Projection.

## **Changes to Welfare Reform and Universal Credit (UC)**

3.70 Although UC is still some years away from potentially impacting on Council Tenants, there is some concern amongst professional commentators that changes could reduce the ability for some vulnerable tenants to pay rent. The Council has supported some tenants in recent years, through its Discretionary Housing Fund, who have been affected by recent changes to Welfare Reform.

## **Future Spending**

3.71 *Given that the Financial Plan is now much tighter and that there are still several risks that could impact on the longer-term projection, it is important that any future spending decisions are fully analysed for their affordability and the effect upon the longer-term Financial Plan.*

## **Proposed Rent Increase 2016/17**

3.72 As previously highlighted, the Council is now required to follow provisions contained in the Welfare Reform and Work Bill 2015/16. This requires the Council to reduce current rents for tenants by 1%, effective from April 2016.

3.73 The starting point for the 1% reduction is the rent level that existed on 8<sup>th</sup> July 2015, i.e. the date of Central Government's Budget which proposed the statutory provisions. Effectively, rent levels for the next four years will need to be lower than that which existed on 8<sup>th</sup> July 2015.

3.74 For sitting tenants, this will be the current rent. However, for tenants that have taken occupation of a property after 8<sup>th</sup> July 2015 and the rent has been increased to the old "formula rent" (as per the approved Rent Policy) the rent has to be revised back down to the 8<sup>th</sup> July rent level and then a further 1% reduction applied.

3.75 This has not had a significant effect on overall income in 2016/17 compared to that forecast. However, over the next four years, the legislation will effectively preclude any void properties being relet at the previous formula rent as the rent will need to be brought back to July 2015 levels.

## **Effect on Individual Tenants**

3.76 Having calculated rents for individual tenants based on the provisions contained in the Welfare Reform and Work Bill 2015/16, the average rent level for existing council tenants will reduce from £80.63 per week in 2015/16 to £79.82 in 2016/17. The average decrease is £0.81p with the highest being £1.03 and the lowest £0.59p per week.

3.77 The highest rented property in the current housing stock is £101.60 per week, with the lowest at £58.43 per week. Based on the on-going 1% reduction for four years, the average rent on the current housing stock will be £77.45 in 2019/20. This includes new/acquired properties being let.

### **Limit Rent**

3.78 This is effectively a cap (set by the DWP each year) that the Council's average rent needs to stay below, to avoid a financial penalty through loss of benefit subsidy for rent rebates.

3.79 For 2015/16, this limit was set at £81.60p per week, which is above the Council's average rent of £80.64. The Limit Rent is still to be notified to the Council for 2016/17.

## **4.0 Financial Implications**

4.1 As detailed in the report.

## **5.0 Corporate Implications**

5.1 There are no other legal, HR or other corporate implications apart from that considered in the report.

## **6.0 Community Implications**

6.1 The proposed budgets within the HRA provide the financial resources to enable many of the on-going services and Council priorities associated with council housing to be delivered to its tenants.

6.2 An

## **7.0 Background Papers**

7.1 None

## APPENDIX 1

## HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - REVISED @ FEBRUARY 2016

	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
All Figures in £'000	Approved Budget	Budget	Forecast									
<b>INCOME</b>												
Rental Income	-12,526	-12,457	-12,346	-12,231	-12,058	-12,301	-12,790	-12,881	-13,218	-13,569	-13,929	-14,298
Non-Dwelling Income	-117	-111	-110	-109	-108	-110	-113	-116	-119	-122	-126	-129
Supporting People Grant	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240
Other Income	-165	-181	-181	-181	-181	-181	-181	-181	-182	-182	-182	-183
<b>Total Income</b>	<b>-13,048</b>	<b>-12,989</b>	<b>-12,877</b>	<b>-12,761</b>	<b>-12,587</b>	<b>-12,832</b>	<b>-13,324</b>	<b>-13,418</b>	<b>-13,759</b>	<b>-14,113</b>	<b>-14,477</b>	<b>-14,850</b>
<b>EXPENDITURE</b>												
General Management	1,577	1,765	1,788	1,812	1,836	1,861	1,886	1,912	1,938	1,964	1,991	2,019
Supporting People	932	798	810	823	836	850	864	880	895	912	930	948
Responsive & Planned Maintenance	3,341	3,219	3,456	3,544	3,625	3,707	3,792	3,878	3,968	4,059	4,154	4,251
Bad Debt Provision	44	44	43	43	42	43	45	45	46	47	49	50
Interest Payable & Receivable	1,681	1,690	1,840	1,891	1,891	1,891	1,892	1,592	1,592	1,323	1,323	1,291
Depreciation	2,876	2,985	3,042	3,015	3,005	2,995	2,985	2,976	2,969	2,962	2,955	2,947
<b>Net Operating Income</b>	<b>-2,597</b>	<b>-2,489</b>	<b>-1,897</b>	<b>-1,633</b>	<b>-1,352</b>	<b>-1,484</b>	<b>-1,861</b>	<b>-2,135</b>	<b>-2,351</b>	<b>-2,846</b>	<b>-3,075</b>	<b>-3,344</b>
Reversal of Depreciation	-2,876	-2,985	-3,042	-3,015	-3,005	-2,995	-2,985	-2,976	-2,969	-2,962	-2,955	-2,947
Capital Expenditure	3,500	3,500	2,452	2,452	2,452	2,452	1,997	1,997	1,997	1,997	1,997	1,997
Debt Repayment	0	0	2,877	850	553	543	988	979	972	965	958	950
New Build Contribution	2,287	1,000	0	0								
Incremental Salary Increases		6	6	6	6	6	6	6	6	6	6	6
<b>HRA (Surplus) / Deficit</b>	<b>314</b>	<b>-968</b>	<b>396</b>	<b>-1,340</b>	<b>-1,346</b>	<b>-1,478</b>	<b>-1,855</b>	<b>-2,129</b>	<b>-2,345</b>	<b>-2,840</b>	<b>-3,069</b>	<b>-3,338</b>

HRA Reserve B/fwd	-2,381	-2,067	-1,748	-1,102	-1,242	-1,338	-1,317	-1,172	-1,300	-1,145	-1,485	-1,254
(Surplus) / Deficit for year	314	-968	396	-1,340	-1,346	-1,478	-1,855	-2,129	-2,345	-2,840	-3,069	-3,338
Transfer to Debt Repayment Reserve	0	1,287	250	1,200	1,250	1,500	2,000	2,000	2,500	2,500	3,300	2,500
<b>HRA Reserve C/fwd</b>	<b>-2,067</b>	<b>-1,748</b>	<b>-1,102</b>	<b>-1,242</b>	<b>-1,338</b>	<b>-1,317</b>	<b>-1,172</b>	<b>-1,300</b>	<b>-1,145</b>	<b>-1,485</b>	<b>-1,254</b>	<b>-2,093</b>

#### Debt Repayment Reserve

Balance B/fwd	-1,703	-1,703	-2,990	-6,117	-8,167	-9,970	-12,013	-5,001	-7,980	-1,452	-4,917	-8,255
Depreciation balance	0	0	-2,877	-850	-553	-543	-988	-979	-972	-965	-958	-950
Transfers to reserve	0	-1,287	-250	-1,200	-1,250	-1,500	-2,000	-2,000	-2,500	-2,500	-3,300	-2,500
Repayment of loan	0	0	0	0	0	0	10,000	0	10,000	0	920	11,450
<b>Reserve C/fwd</b>	<b>-1,703</b>	<b>-2,990</b>	<b>-6,117</b>	<b>-8,167</b>	<b>-9,970</b>	<b>-12,013</b>	<b>-5,001</b>	<b>-7,980</b>	<b>-1,452</b>	<b>-4,917</b>	<b>-8,255</b>	<b>-255</b>

#### New Build Reserve

Capital Receipts B/fwd	-2,013	-480	-1,361	-1,090	-1,591	-1,983	-2,327	-2,633	-2,909	-3,107	-3,295	-3,480
New Build Expenditure - P1	3,866	1,443	0	0	0	0	0	0	0	0	0	0
Contribution to Reserve	-2,287	-1,000	0	0	0	0	0	0	0	0	0	0
Acquisitions - Alexander Road	220	0	0	0	0	0	0	0	0	0	0	0
Proposed Lullington Rd	300	300	0	0	0	0	0	0	0	0	0	0
Proposed Yard Close	225	750	1,000	0	0	0	0	0	0	0	0	0
Proposed Acquisition - Rowley Close	910	0	0	0	0	0	0	0	0	0	0	0
HCA grant	-190	-220	-220	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-591	-703	-509	-501	-392	-344	-306	-275	-198	-188	-185	-168
Borrowing in year	-920	-1,450	0	0	0	0	0	0	0	0	0	0
<b>Balance c/fwd</b>	<b>-480</b>	<b>-1,361</b>	<b>-1,090</b>	<b>-1,591</b>	<b>-1,983</b>	<b>-2,327</b>	<b>-2,633</b>	<b>-2,909</b>	<b>-3,107</b>	<b>-3,295</b>	<b>-3,480</b>	<b>-3,648</b>

#### New Build Properties

	<b>23</b>	<b>41</b>	<b>26</b>	<b>0</b>								
--	-----------	-----------	-----------	----------	----------	----------	----------	----------	----------	----------	----------	----------

---

<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>10<sup>th</sup> FEBRUARY 2016</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>CHIEF EXECUTIVE</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>TOVE CECILIA LINDGREN (Ext. 5848)</b> <a href="mailto:tove.lindgren@south-derbys.gov.uk">tove.lindgren@south-derbys.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>WORK PROGRAMME 2015-16</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: N/A</b>

---

### **1.0 Recommendations**

1.1 That the Overview and Scrutiny Committee considers its work programme and agrees the review area(s) for the next meeting.

### **2.0 Purpose of Report**

2.1 To enable the Committee to review and update its work programme.

### **3.0 Detail**

3.1 The Overview and Scrutiny Committee agrees an annual work programme, which is reviewed at each meeting. Attached at Annexe 'A' is the updated work programme for 2015/16. Members are asked to consider the work programme for future meetings and particularly the review areas to be included on the agenda for the next meeting.

3.2 Task Group Members are invited to give verbal updates.

### **4.0 Financial Implications**

4.1 There are no financial implications arising from this report.

### **5.0 Corporate Implications**

5.1 None arising directly from this report.

### **6.0 Background Papers**

6.1 Scoping documents for reviews and previous Committee reports.

## Overview &amp; Scrutiny Work Programme 2015/16

Project	Committee & Date	Jun-15		Sep-15		Oct-15		Nov-15		Dec-15		Jan-16		Feb-16		Mar-16		Apr-16		May-16		Responsible Head of Service
			24	9		21		9		20		10		23								
Annual Report			■																			Legal and Democratic Services Manager.
Setting the Work programme			■																			Director of Finance and Corporate Services
Section 106 Health Based Planning Contributions				■		■		■		■		■	■					■				Director of Community and Planning
NHS Dental Provision				■		■																Director of Community and Planning
CCG - GP Surgery Provision						■																Director of Community and Planning
Cemetery Provision						■																Director of Community and Planning
RIPA				■						■										■		Legal and Democratic Services Manager.
Electoral Services										■												Chief Executive
Budget													■	■								Director of Finance and Corporate Services
Council Tax Arrears										■			■									Director of Finance and Corporate Services
Festival of Leisure													■									Director of Community and Planning
Community Grant Fund Process										■												Director of Community and Planning
Derbyshire Community Health Provision																					■	Director of Community and Planning
<b>Key</b>																						
Report to Committee		■																				
Report to Task Group		■																				