

OVERVIEW AND SCRUTINY COMMITTEE

8th February 2012

PRESENT:-

Conservative Group

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

Labour Group

Councillors Bambrick and Mrs. Mead.

APOLOGIES

Apologies for absence from the Meeting were received from Councillors Bell and Pearson (Labour Group).

OS/28. **MINUTES**

The Open Minutes of the Meeting held on 7th December 2011 were taken as read, approved as a true record and signed by the Chairman.

OS/29. **FUNDED VOLUNTARY ORGANISATIONS REVIEW – PRESENTATION BY COUNCIL FOR VOLUNTARY SERVICES**

The Chairman welcomed Jo Smith, Chief Executive of the Council for Voluntary Services and thanked the Organisation for hosting the Meeting. A copy of the CVS Annual Report and other supporting literature had been circulated ahead of the Meeting. A presentation was given to Members, which explained the Organisation's Mission, its role and values. The presentation also covered service delivery and how the CVS activities contributed to the Council's Corporate Plan, before responding to some pre-circulated questions.

Jo Smith explained the strategic aims of the South Derbyshire CVS and commented on the customer appreciation of the services it provided. She spoke about the services delivered directly and the support given to other voluntary organisations. The CVS was a large, established organisation. Examples of the services delivered included the social car scheme, the handy van service, safer homes, advocacy, domestic abuse support for children and young people, the lunch club and the befriending service. A leaflet had been circulated with more details on each of these services. The presentation then addressed how these services contributed to the Council's Corporate Plan and the Sustainable Community Strategy. Under each of the four key themes within the Corporate Plan, a number of examples were given of the services delivered and the added value that this provided to South Derbyshire. The CVS provided an effective delivery mechanism, whilst also retaining a challenge role. Further areas covered were the work with children and young

people, involvement in the South Derbyshire Partnership and an update was given on funding. A number of case studies had been prepared and would be circulated following the Meeting. Jo Smith also referred to the pre-circulated questions, explaining the staffing arrangements at the CVS. She confirmed that the majority of work was delivered in South Derbyshire, with some projects delivered across the wider Southern Derbyshire area and the County as a whole.

Further questions were invited and the first concerned how the CVS promoted its services, for which examples were given. It was also questioned how many people accessed services through the CVS. Whilst this was difficult to assess overall, a number of examples were given. A Member asked whether all services were delivered within the urban core. Examples were given of some of the projects undertaken in various rural areas. A further question concerned the retraining provided by the CVS. Whilst it could not claim direct credit for helping people to secure employment, a successful case was highlighted. The Chair thanked Jo Smith for the presentation and she left the Meeting.

The Committee then discussed the Funded Voluntary Organisation Review more generally. At the last Committee, it was agreed to hold a Special Meeting, to receive a detailed presentation from Sharpe's Pottery and a number of written reports from the other funded voluntary groups that received less than £25,000 per annum from the Council. It was confirmed that Sharpe's Pottery was available to host the next Meeting.

It was agreed:-

- (1) To receive the presentation from the Council for Voluntary Services, as part of the Funded Voluntary Organisations Review.**
- (2) That the Special Meeting of the Committee on 25th April 2012 be held at Sharpe's Pottery Museum in Swadlincote.**

OS/30. **BUDGET SCRUTINY 2012/13**

For the second part of the budget scrutiny process, two reports had been circulated, which had been considered at previous policy committee meetings. The Housing and Community Services Committee had considered the Housing Revenue Account (HRA) Budget for 2012/13, including the rent setting for that period at its meeting on 2nd February. Prior to this, the Finance and Management Committee, at a meeting on 23rd January, considered Housing Revenue Account Self Financing - Treasury Management and the final proposals for debt take-on. The Head of Corporate Services took Members through these reports, and gave a presentation on the key aspects.

The paper on the HRA detailed the base budget for 2012/13, together with an updated financial forecast to 2023. The report also set out details of the proposed rent increase for 2012/13 under the Government's National Rent Setting Policy.

A key area was the move to self-financing and, as previously reported, the current subsidy system would be abolished on 31st March 2012. Under the Localism Act 2011, the Council would no longer pay a negative subsidy payment to the Government, but would take on a share of the national housing debt. The Council's debt take-on had been confirmed at approximately £58m. The base budget for 2012/13 and 10-year financial projection was the first financial plan constructed under self-financing. This included the recommended debt repayment profile and associated interest costs, together with previously approved stock investment needs. In addition, the base budget for repairs and management costs, together with all of the day-to-day income and expenditure had been reviewed.

The detail of this report included sections on formulating the 2012/13 base budget, the planning period and an appendix set out the fully costed base budget and financial projections for the first 10-years of self-financing. General inflation was reported, together with sections on income (excluding housing rents), housing repairs, management costs and sheltered services. It was confirmed that the debt settlement was lower than previously estimated, which had the effect of the Council borrowing £300,000 less than originally expected.

Further appendices to the report detailed the profile of interest and loan repayments over the 30-year business planning period. The Council's position and Capital Investment were then reported, before looking at future borrowing. With regard to 'Right to Buy' (RTB) receipts under self-financing, pooling would continue to apply, which meant that 75% of proceeds would continue to be repaid to the Government. Details were also provided about a Government consultation, which sought to reinvigorate RTB take-up.

It was estimated that the HRA would enter self-financing with a general reserve of around £1.9m. This was above the current minimum contingency level of £0.5m approved in the Council's Financial Strategy and would be used over the first 5-years of the Plan to meet the estimated deficit on the overall HRA. Around 2016/17, it was projected that the reserve would have fallen to around £950,000. After this date, the Plan moved into surplus and as previously highlighted, this was set aside to repay the debt.

As the principle of self-financing would allow greater freedom and scope for local HRAs and for Councils to deliver additional investment in their stock, this came with a transfer of greater responsibility and hence risk. Therefore it was recommended that a level of £1m was maintained as the minimum general reserve balance on the HRA from April 2012.

Previous reports to the policy committee had indicated that rent income from tenanted properties was a fundamental part of the self-financing proposal. It would continue to be the most significant source of income. Under self-financing, councils would be expected to follow the national rent setting framework and continue towards convergence. For 2012/13 the national average rent increase had been set at 6.1%. The Council's current average formula rent was substantially behind the national average and the reasons for this were reported. Consequently for 2011/12, the Council's average rent was around 9% lower than the national formula. In order to catch up by 2015/16,

the average rent for tenants in South Derbyshire would need to increase by 8.5% for 2012/13 or an average of £5.49 per week.

Further sections of this report provided an analysis of the increases, the effect on the base budget and effect of lower increases, before looking at additional risks and flexibility and other options available.

The second report on HRA Self Financing concerned Treasury Management and final proposals for debt take-on. A decision had been taken by the Finance and Management Committee on 23rd January on the most appropriate way to fund the HRA debt settlement under the self-financing framework.

Following analysis of various options, approval was given to finance the debt take-on through the Public Works Loans Board (PWLB) on a maturity type basis, in order to satisfy the requirements of the HRA's 30-year Business Plan. The Council had an existing market loan of £1m and the report's executive summary explained how this would be allocated. It would enable the Council to operate the recommended "two pooled" approach to future debt management and cleanly separate the new HRA debt into its own pool.

Interest rates were not expected to move significantly between now and the settlement date. However, there were risks to this forecast given the ongoing economic situation and potential impacts from Europe. It was considered that the PWLB offered the best route, given its lower rates, ease of arranging a debt structure and overall administration. A balanced portfolio structure was recommended with a bias towards a longer-dated repayment profile. Both PWLB fixed rates and margins were still considered to be at historically low levels and therefore the opportunity to secure long dated funding at below 3% was recommended. This also provided some flexibility. If the Council was in a position to repay debt early, with rates likely to have increased, it would be able to generate a discount on early repayment. A limited amount of variable rate exposure would enable the Council to benefit from the current low official bank rate, whilst maintaining some flexibility on repayment timing. Selecting the maximum 10-year maturity would capture the low margin over an extended period. A balanced portfolio would also reduce the potential "cost of carry" where the investment rate on funds accumulated in readiness to repay debt, was less than the rate of the debt outstanding. By selecting a balanced portfolio, it was considered that the Council would be well positioned to manage future treasury management risks.

The detail of the report contained sections on the treasury strategy objectives, the current economic outlook and sources of funding. It then looked at premiums and discounts, the interest rates and long-term borrowing and borrowing debt at variable rates. A section was provided on fixed versus variable rates, before looking at the portfolio structure, with an options analysis and tables on loan maturity. Further detail was given on the options appraisal, risk management, the debt structure and the effect on the HRA Business Plan. Appended to the report were illustrative interest payments and debt repayment details. The report concluded with sections on splitting the existing debt and the pooling of debt.

The Officer responded to Members' questions, the first concerning the potential impact of RTB applications increasing, in response to the Government's initiative. It was questioned whether the loan interest rates were fixed. The Officer confirmed the decisions made by the Policy Committee, the mixture of loan periods and fixed/variable rates, together with the beneficial rates being offered and the potential incentives for settling some debts early. Rescheduling loans with the PWLB was also touched on. It was questioned whether other options could be pursued instead of early debt repayment, particularly further improvements to the housing stock or new build schemes, to increase the rent income. Details were given of the borrowing cap, which meant that such options were unlikely to be feasible in the early years of self-financing. Further discussion took place on the Government's proposals to reinvigorate the RTB scheme, its intention to continue to 'pool' a proportion of RTB sale receipts and to set requirements for the treatment of the Council's retained portion of these monies. It was noted that capital improvement costs could be set against RTB discounts for three years after the works were undertaken.

On the setting of rent levels, a Member asked if in future, these could be considered by Overview and Scrutiny prior to the Policy Committee determining them. The move to self-financing might mean in future that the consideration of rent levels could take place at the Special Policy Committee in early January, which would give a longer period for Overview and Scrutiny to consider the proposals. With this in mind, it was considered that Overview and Scrutiny could hold a single meeting, dedicated to the budget process.

Another issue highlighted, which was contained in the Localism Act was the potential for Government to reopen the debt settlement in future.

A copy of the unconfirmed Minutes of the Committee's meeting on 18th January was circulated. The Minutes were accepted and would be submitted, along with a similar document from this meeting, as the Committee's response to the Budget Scrutiny work. The Committee's Chairman and Opposition Group lead Member would be asked to approve the second document.

It was agreed that the Committee responds to the budget scrutiny process as set out above. In particular the Committee requests if possible, that in future years rent setting is considered by the Housing & Community Services Committee in early January and that the Overview and Scrutiny Committee will then hold a single meeting, dedicated to Budget Scrutiny in future years.

OS/31. WORK PROGRAMME

It was reported that the Overview and Scrutiny Committee agreed an annual work programme, which was reviewed at each Meeting. The Committee was asked to consider arrangements for the annual crime and disorder scrutiny work. The Chairman reported on a Home Office briefing held on 2nd February 2012, where details were provided about the Police and Crime Commissioners and arrangements for Police and Crime Panels. It was suggested that this would form a useful area for the crime and disorder scrutiny work. The Home Office briefing had been attended by the Leader of the Council, who was also

Chair of the Safer South Derbyshire Partnership. It was proposed to invite him and the Safer Communities Manager to contribute to the Meeting. It was further suggested that this dedicated Meeting be held at 5.00 p.m. on 21st March 2012. To provide Members with background, a copy of a document produced jointly by the Local Government Association and Centre for Public Scrutiny on Police and Crime Panels was circulated.

An update was then given on proposals for the annual Focus Session. This had also been scheduled for 21st March 2012 with a suggested start time of 4.00 p.m. The Committee's views were sought with regard to consulting on the work programme. A number of ideas were put forward, to seek the views of a range of bodies and individuals in formulating a "long list" of potential review areas. A Member suggested the circulation of the current work programme as part of the consultation process.

Finally, it was reported that the first Meeting of the Grounds Maintenance Task Group would be held on 17th February 2012.

It was agreed:-

- (1) That the Committee approves the proposals above for the Crime and Disorder Scrutiny Meeting to be held at 5.00 p.m. on 21st March 2012, to look at the arrangements for the Police and Crime Commissioner and related Police and Crime Panels.**
- (2) That the Committee confirms the proposals for the annual Focus Session.**

MRS. A. PLENDERLEITH

CHAIRMAN

The Meeting terminated at 6.55 p.m.