

# CITY OF PLYMOUTH



## Scrutiny Report on the Housing Revenue Account 2004/05 Budget

### Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel

**January 2004**

'Overview and scrutiny is potentially the most exciting and powerful element of the entire local Government modernisation process. It places members at the heart of policy-making and at the heart of the way in which Councils respond to the demands of modernisation. In addition, overview and scrutiny is the mechanism by which Councils can achieve active community leadership, good governance and by which Councillors can become powerful and influential politicians.'

Office of the Deputy Prime Minister: 'The Development of Overview and Scrutiny in Local Government', September 2002

**Portfolio and Holder:** Housing Services  
Councillor King

**CMT Member:** Head of Housing Services and City Treasurer

**Subject:** Scrutiny of the 2004/05 Budget -  
Housing Revenue Account

**Committee:** City Council

**Date:** 26<sup>th</sup> January, 2004

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**Ref:** 5/RHEEOSP/CH

**Part:** I

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**Executive Summary:**

The purpose of this report is to inform the City Council of the outcome of the Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel's scrutiny of the Housing Revenue Account (HRA) budget for 2004/05.

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**Strategic Choices:**

Current policy is to ensure an adequate supply of affordable homes which meet the decency standard. The HRA meets the costs associated with the provision of Council Housing by the City Council and ensures a supply of homes for social rent for those tenants unable to rent or own homes in the private sector.

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**Implications for Medium Term Financial Plan and Resource Implications:  
Including finance, human, IT and land:**

A surplus of £0.285 is currently forecast for the current year which would give a Working Balance of £0.864m at 31<sup>st</sup> March, 2004.

Based on the base budget for 2004/05, a surplus of £1.309m is forecast for the year which would give a Working Balance of £2.173m at 31<sup>st</sup> March, 2005. However, proposed increases to garage rents and charges for other special services will result in a revised surplus for the year and thus Working Balance to be carried forward.

Current Council policy is to maintain a minimum Working Balance of £0.500m.

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**Other Implications: e.g. Section 17 Community Safety, Health and Safety etc.**

The HRA budget takes into account Section 17 Community Safety and other Health and Safety issues. In particular, it meets the costs of the Anti-Social Behaviour Team who, together with other housing staff, work in close partnership with the Community Safety Partnership and other agencies across the City, including local Registered Social Landlords.

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**Recommendations and Reasons for recommended action:**

The Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel recommended that -

- (1) the City Council ratify the proposed percentage increase in charges recommended by Cabinet at its meeting on 13<sup>th</sup> January, 2004;
- (2) the manner in which the Council deals with the issue of bad debt should be kept under close review and the Overview and Scrutiny Commission be requested to include this item within the work programme of the Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel;
- (3) in view of the Panel's concern regarding the standard of advice provided to tenants who got into difficulties with rents etc., that this area be subject to six-monthly review by the Portfolio Holder for Housing Services in order to ensure -
  - staff were fully prepared to give correct and adequate advice;
  - the take-up campaign was producing results;
- (4) whilst the Panel commended the aim to seek, within the next financial year, a reduction of 50% in the income lost from void properties from the May 2003 position -
  - the Portfolio Holder for Housing Services be asked to provide an assurance that appropriate Officer support was in place to meet this challenging target;

- the Overview and Scrutiny Commission be requested to include scrutiny of both the interim and final report on voids in the Panel's work programme;
- (5) the Overview and Scrutiny Commission be requested to include the management and improvement of Council garages in the Panel's work programme;
  - (6) appropriate monitoring arrangements be put in place to ensure that the targets outlined in the Officers' report are met;
  - (7) Officers provide the Panel with appropriate feedback following the completion of consultation with tenants;
  - (8) in noting that the estimated amount of capital investment based on previous surveys indicated a backlog in repairs to meet the decency standard alone of £80m-£100m, consideration be given to the provision of regular updates to the Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel, together with a report on the outcome of the re-inspection of the Housing Repairs and Maintenance Service;
  - (9) a presentation be made to a future meeting of City Council on the outcome of the stock condition survey.
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**Background papers:**

- (1) Report of the Head of Housing Services and City Treasurer to Cabinet on 13<sup>th</sup> January, 2004, on the HRA 2004/05 (RHEE 2 03/04).
- (2) Minutes of meeting of Cabinet held on 13<sup>th</sup> January, 2004 (RHEE 3 03/04) indicating the proposed level of garage rents and miscellaneous charges for 2004/05.
- (3) Briefing Paper outlining the key questions identified for effective scrutiny of the budget (RHEE 4 03/04).
- (4) Presentation on the Housing Revenue Account Budget for 2004/05 provided to the Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel on 19<sup>th</sup> January, 2004 (RHEE 5 03/04).

# REPORT OF THE REGENERATION, HOUSING, ECONOMIC AND ENVIRONMENTAL OVERVIEW AND SCRUTINY PANEL

## SCRUTINY OF THE HOUSING REVENUE ACCOUNT 2004/05 BUDGET

### 1.0 Background

- 1.1 At its meeting on 13<sup>th</sup> January, 2004, the Cabinet considered the report of the Head of Housing Services and City Treasurer on the Housing Revenue (HRA) Budget 2004/05. The report had been prepared in order to -
- (a) provide an update on the HRA for the current year;
  - (b) review the budgetary projections for 2004/05, outlining the assumptions built into the base budget;
  - (c) provide a projection of the account for the medium term period to 2006/07.
- 1.2 Following consideration of the report, the Cabinet made a number of specific decisions concerning the HRA for 2004/05, as follows:-
- (i) the revised estimate for 2003/04 be approved;
  - (ii) the base budget and estimated surplus for 2004/05 be noted;
  - (iii) a rent increase in line with Government Guidelines be ratified, and rents be adjusted as appropriate to move towards the target rent resulting in an average rent increase of 2.71% for 2004/05;
  - (iv) the level of service charge to Council tenants be increased by 2.8% with effect from 1<sup>st</sup> April, 2004;
  - (v) the level of service charge to Council Leaseholders be increased by 2.8% with effect from 1<sup>st</sup> April, 2004;
  - (vi) the level of garage rents and miscellaneous charges for 2004/05 be increased as follows -
    - (a) garage rents be initially increased by an average of 2.8% with effect from 1<sup>st</sup> April, 2004, followed by a review of all garage rents early in the new year with rent levels adjusted further as appropriate following the findings of the review;

- (b) charges for special services be increased by an average of 2.8% with effect from 1<sup>st</sup> April, 2004;
- (c) the weekly water rate charge be increased by 3.3% with effect from 1<sup>st</sup> April, 2004;
- (vii) the introduction of charges for warden services at Sheltered schemes for new tenants not in receipt of assistance under the supporting people programme be deferred until the Sheltered Housing Service review has been completed, which is anticipated in May 2004;
- (viii) the issues raised in Sections 3.3.5 and 4.4 of the report be considered as part of the General Fund budget setting process;
- (ix) future year projections and comments within the report be noted;
- (x) the Officers be requested to seek, within the next financial year, to reduce by 50% from the May 2003 position the income lost as a result of void properties.

1.3 The Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel subsequently met on the 19<sup>th</sup> January, 2004, to -

- (i) review and scrutinise the HRA Budget for 2004/05, and
- (ii) talk to the Portfolio Holder for Housing Services and appropriate Council Officers

with a view to presenting a report on its findings to the meeting of City Council on 26<sup>th</sup> January, 2004.

## **2.0 Panel Structure**

### Councillors (Committee Members)

Councillor Vincent, in the Chair.

Councillors Mrs. Blackburn, Bray, Coleman (substitute for Councillor Shears), M. Fox, Miss Gillard, Haydon (substitute for Councillor Carter), James, Kerswell (substitute for Councillor Hutchings), Dr. Salter and Wigens.

### Portfolio Holder

Councillor King - Portfolio Holder for Housing Services

## Officers In Attendance

Carole Burgoyne	Head of Performance and Policy
Giles Perritt	Head of Housing Services
Sandra Wilson	Principal Accountant, Housing Services Department
Carole Hoyle	Democratic Support Officer

### **3.0 Objectives**

The Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel consider the HRA budget for 2004/05, ensuring the HRA budget is properly and purposely scrutinised, and present a report identifying its recommendations and any concerns to the meeting of City Council on 26<sup>th</sup> January, 2004.

### **4.0 The Detail**

4.1 The Principal Accountant for Housing Services gave the Panel a presentation on the background to the report and budget setting, which included -

- (a) a brief overview of the HRA;
- (b) a summary of the medium term forecast;
- (c) the base estimate 2004-05 – budget assumptions and the HRA base estimate 2004-05;
- (d) options for increases to rents and other charges;
- (e) the decisions made by Cabinet on 13<sup>th</sup> January, 2004;
- (f) information on the relationship between the HRA and the General Fund.

4.2 Having considered the information provided, members of the Panel raised a number of issues to which Councillor King and Officers responded as follows:-

- (i) that, although initial projections for the medium term period to 2006/07 indicated that the account would remain financially viable, the annual operating surplus was forecast to reduce year on year and current assumptions indicated an operating deficit from 2007/08;
- (ii) that the account remained vulnerable to increases in costs or unforeseen works which may arise in future years, but that a number of options were being investigated to reduce overheads to the HRA including looking at an area based approach to service provision through the operation of “one stop” arrangements, e.g. combining housing with library services;

- (iii) that the spending plans corresponded with both the City Council's and Government's aims, objectives and priorities;
- (iv) that the variance in service charges to properties across the City resulted from the charges being based on the actual cost of providing services to the individual properties;
- (v) that, with regard to the issue of bad debt -
  - the process for write-offs had been revised to ensure that every effort was made to locate tenants and recover debt;
  - the three most common causes of write-off were -
    - death of a tenant, where the debt could not be recovered from the estate;
    - the tenant having moved into long stay residential care;
    - abandonment of property;
  - debt was only written-off on the advice of the City Council's Head of Legal Services and the proportion written-off was a very small percentage of total debt;
  - that overall arrears were declining but the overall level of HRA bad debt provision as a percentage of total arrears continued to be questioned by the District Auditor and, until arrears started to show a significant reduction, the annual bad debt provision should remain at £0.350m;
  - that the main problem related to former tenant arrears and it was proposed to use some of the bad debt provision to bring in Officers to target this particular area and to look at the provision of more debt counselling for current tenants;
  - that all Housing Officers were now able to assist tenants with information regarding their current status in regard to Council housing benefit and agreement was being sought to invest some of the surplus for the current year into a similar provision for welfare benefits and for debt counselling advice;
- (vi) that, with regard to the issue of stock options -
  - as required by Government, the City Council was currently examining various options in order to provide a decent housing stock by 2010, although it was not currently predicted that sufficient capital and revenue resources would be available to meet this target bearing in mind the backlog in repairs required;



- the stock condition survey, which was due to be completed at the end of March 2004, would indicate the level of “catch-up” repair investment required across the stock in order to meet the decency standard and it was expected that, by July 2005, the City Council would have proposals to ensure that homes could be owned and managed to a decent standard;
- (vii) that, with regard to garages and parking spaces -
- £50,000 had been ringfenced from the increase in charges introduced in 2003/04 specifically to meet the cost of repairs to garages;
  - it was acknowledged that there were inconsistencies in the way the Council managed its garages and parking spaces and the Cabinet had therefore requested that a review be undertaken early in the new year;
  - although the Cabinet had agreed an initial increase of 2.8% for 2004/05, this could be re-visited in the light of recommendations coming out of the review;
- (viii) that it was expected that improved working practices would assist in meeting the target set by Cabinet to reduce by 50% from the May 2003 position the income lost as a result of void properties;
- (ix) that, with regard to consultation with tenants/tenants’ associations -
- consultation had taken place with Housing and Residents In Partnership (HARP) outlining the proposed increases;
  - detailed consultation would be undertaken based on the priorities for spending rather than on the level of proposed charges as in previous years;
  - consultation would be taking place over the next few months to ensure that the priorities of tenants were reflected in both the capital and revenue programmes;
- (x) that there were strong revenue implications related to both Right to Buy Sales and regeneration programmes.

## **5.0 Written Material**

The Panel considered the following -

- (1) Report of the Head of Housing Services and City Treasurer to Cabinet on 13<sup>th</sup> January, 2004, on the HRA 2004/05 (RHEE 2 03/04).

- (2) Minutes of meeting of Cabinet held on 13<sup>th</sup> January, 2004 (RHEE 3 03/04) indicating the proposed level of garage rents and miscellaneous charges for 2004/05.
- (3) Briefing Paper outlining the key questions identified for effective scrutiny of the budget (RHEE 4 03/04).
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## **6.0 Resolutions and Recommendations**

The Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel recommended that -

- (1) the City Council ratify the proposed percentage increase in charges recommended by Cabinet at its meeting on 13<sup>th</sup> January, 2004;
- (2) the manner in which the Council deals with the issue of bad debt should be kept under close review and the Overview and Scrutiny Commission be requested to include this item within the work programme of the Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel;
- (3) in view of the Panel's concern regarding the standard of advice provided to tenants who got into difficulties with rents etc., that this area be subject to six-monthly review by the Portfolio Holder for Housing Services in order to ensure -
  - staff were fully prepared to give correct and adequate advice;
  - the take-up campaign was producing results;
- (4) whilst the Panel commended the aim to seek, within the next financial year, a reduction of 50% in the income lost from void properties from the May 2003 position -
  - the Portfolio Holder for Housing Services be asked to provide an assurance that appropriate Officer support was in place to meet this challenging target;
  - the Overview and Scrutiny Commission be requested to include scrutiny of both the interim and final report on voids in the Panel's work programme;

- (5) the Overview and Scrutiny Commission be requested to include the management and improvement of Council garages in the Panel's work programme;
- (6) appropriate monitoring arrangements be put in place to ensure that the targets outlined in the Officers' report are met;
- (7) Officers provide the Panel with appropriate feedback following the completion of consultation with tenants;
- (8) in noting that the estimated amount of capital investment based on previous surveys indicated a backlog in repairs to meet the decency standard alone of £80m-£100m, consideration be given to the provision of regular updates to the Regeneration, Housing, Economic and Environmental Overview and Scrutiny Panel, together with a report on the outcome of the re-inspection of the Housing Repairs and Maintenance Service;
- (9) a presentation be made to a future meeting of City Council on the outcome of the stock condition survey.