

Overview and Scrutiny Committee

7 January 2013

Present: Councillor C B Pickard (Chair)
Councillors J Allan, A Austin, S Day, I Grayson,
Marian Huscroft, D McGarr, J O'Shea, D Sarin,
T Mulvenna, N Redfearn, and J Stirling.

Church Representative
Rev M Vine

School Governor Representatives
Mrs J Little
Mrs M Ord

OV67/01/13 Apologies

Apologies for absence was received from Councillor C Gambling, R Glindon and J McLaughlin.

OV68/01/13 Substitute Members

Pursuant to the Council's constitution the appointment of the following substitute Members was reported:-

Councillor J O'Shea for Councillor R Glindon
Councillor T Mulvenna for Cllr C Gambling

OV69/01/13 Declarations of Interest

There were no declarations of interest reported.

OV70/01/13 Minutes

Resolved that the minutes of the meetings held on 3 December 2012 be confirmed.

OV71/01/13 2013-2015 Financial Planning and Budget Process: Cabinet's Initial Budget Proposal for the Housing Revenue Account (HRA)

The Committee received a report that detailed the Cabinet's initial proposals for the Housing Revenue Account (HRA) budget 2013-15 and associated Capital Plan 2013-23 and informed that the proposals had been agreed at the Cabinet meeting on 26 November 2012.

In attendance at the meeting was Mr Ian Conway – Head of North Tyneside Homes gave a presentation that detailed the key aspects of the Housing Revenue Account budget proposals and the Capital Plan.

Housing Business Plan – Headlines

- Estimated income £2,830m
- Estimated expenditure £2,829m

- Major Repairs £1,365m
 - Decent homes £1,058m
 - Environment £72m
 - Adaptations £72m
 - Garages £7m
 - New homes £156m
- HRA Debt £290m

Assumptions in plan

- Homes maintained to a decent home standard
- Rents follow national policy
- Max increase RPI + 0.5% + £2pw
- Convergence by April 2015/16
- Rent rise RPI plus 0/5% thereafter

Rent Convergence

Mr Conway explained that the objective of rent restructuring was to assure affordable rented homes in the same area had similar rents regardless to who the landlord was. The Government set formula was explained and would be followed until rent convergence was reached. Individual rent increases would be limited to retail Price Index (RPI) + 0.5% + £2 (per week).

Old System

The Committee was reminded that each authority's HRA was part of a national housing subsidy system that forced authorities which made surplus on their notional HRA account to make payments into a central pool that was then used to subsidise those authorities that made a loss.

Under the subsidy system North Tyneside was a net payer of housing subsidy with payments of £7m for 2011/12. If the system remained in place this figure was projected to rise year on year.

From 1 April 2012 each authority retained all rents raised locally and there was no requirement to make or receive any subsidy payments to or from central government. This was achieved via a one-off re-allocation of debt. The final figure of additional debt following self – financing (30 year period) for North Tyneside Council at the 31 March 2012 was £128,193m.

Changes in HRA

Mr Conway explained how the HRA budget was spent prior to the system in year 2011/12, in year 2012/13 and projected 2013/14 following the self-financing.

Rent and Service Charges

- Rents based on September RPI of 2.6%
- Average increase of 5.81% in line with formula
- Range of increase of 4.18% to 7.87%
- Average cash increase of £3.98 pw
- Range of increase per property type £2.63 to £5.22

- The average rent based on a 50week year was £72.55
- Service Charges and Garage rents increase at 2.6%
- £2.78 m additional income

An example was given to show the consequence of a reduction in rent to the Business Plan. A 1% reduction would result in £0.5m in lost rent in 2013/14, with a potential total loss over the 30year business plan of approximately £25m (based on future inflation).

The Committee was informed that 66% of tenants were in receipt of Housing Benefit and the effects of the Welfare Reform were still largely unknown, however 74% of tenants believed that the rent charges were good value for money.

Pressures

- Quality homes for older people
- Fencing backlog of £20m
- Right to Buy

Welfare Reform - impacts

The implications of the Welfare Reform Act were detailed and included pressures on cash flow, increases in rent arrears and on Homeless and advice services, income collection and waiting lists.

Main Issues

- Efficiencies
 - Additional income - £2.78m
 - Efficiency savings - £380k
- Pressures
 - Council tax void property - £200k
 - Strengthen prevention/advice work - £100k
 - Bad debt provision - £250k
 - Repair inflation - £220k
 - Impact of Quality Homes for Older People - £550k

Capital Plan

For future years the Housing Stock needs to be maintained to at least Decent Home Standard. Some elements of work planned in 2013/14 included:

- 592 kitchens & Bathrooms £4.57m
- 820 heating & 100 electric rewire £3.43m
- Disabled adaptations of £1.37m
- Other targeted refurbishment works of £0.72m
- 475 new fences £1.22m
- 3 new lifts High Howdon flats

The Capital Plan also provided the Authority to begin a programme of new build council housing from 2012/13 of £177m.

Tenants Views

The Committee were informed that engagement had taken place with tenants and that there was a good understanding of the budget. Although there were concerned with the cumulative impact of the Welfare Reform Act and right to buy, however, tenants were encouraged about the decent home investment programme and building new properties. It was also understood that provision was needed to support bad debt and early intervention and advice.

Following the presentation Members were then given the opportunity to ask questions and make comments to the proposals.

A Member questioned what support had been provided to tenants that would be affected by the shared accommodation rate. It was stated that the 300 people affected were being given advice on the changes and how to manage their individual circumstances most effectively. Advice on maximum benefits, information on Citizens Advice Bureau availability, Credit Unions and options to moving to smaller accommodation would be given.

A Member questioned the increase in Bad Debt Provision of £250k for years 2013/14 & 2014/15 and how the figure was derived. It was stated that there would need to be need of an increase to cope with the Welfare Reform changes and £250k per year was an estimate.

A Member asked to what was being put in place to cope with rent collection and rent arrears following the changes. It was stated that an additional £100k had been made available to the Housing Income Team for 4 further officers who would work and advise tenants on arrears and gaining employment.

It was questioned to how the figure of up to 812 new units to be build over the next 30 years had be derived. It was stated that the number of units was based on 3 bedroom units, however if there was demand for 1-2 bedroom units the final figure would be expected to rise.

It was asked as some residents had raised their concerns with Councillors, if there was a requirement for Housing Associations to ensure their properties were up to Decent Home Standard and if so who would make inspections. It was stated that it was a requirement for Housing Associations to ensure its properties were to Decent Home Standard and that if residents from associations raised concerns they should contact a senior officer from the association or the Housing Ombudsman.

With regard to the Self Financial Debt Settlement it was asked when the Authority would see the initial benefits. It was stated that the authority receive benefits immediately due to the lower percentage of interest being accessed.

It was asked what support was being given to those tenants who were affected by the under-occupancy change. It was stated that those tenants affected were being sent information letters detailing the changes from the Welfare Reform Act, visits would be made to inform tenants the options available. It was stated that where moves would be an option, encouragement would be given for tenants to find mutual exchanges.

A Member raised their concerns to the possibility that there would be increased number of residents applying for Council Tenancy as a consequence to the change to how housing benefit would be paid 4 weekly in arrears. It was thought private landlords would not accommodate tenants paying in arrears.

In response it was stated that the authority was aware of this pressure and was investigating a number of options which included changes to the letting policy to ensure those with most need would gain tenancies.

A Member stated that they had made a request for information with regards to Quality Homes for Older People and asked if the information would be provided. In response Mr Conway stated that officers were in the process of collating the requested information and it would be provided to the Member.

The Member then asked what provision would be put in place for tenants living in properties that would be charged for under occupancy. It was stated that it was the tenants responsibility to ensure the charges applied through under-occupancy were paid.

It was asked if the new built units would be open to tenants to the Right to Buy Scheme. The Committee was informed that there would be no discount to the newly built units for 12 years.

Members expressed their disappointed that the Cabinet Member was not in attendance at the meeting. A Member asked if the Cabinet Member had been invited to attend the meeting. The Chair stated that the Cabinet Member would have been aware the report was being presented to the Committee and believed being attendance to the meeting to explain the proposals under their responsibility would have been beneficial.

A Member referred to the report that Cabinet considered on the 26 November and in particular to sections relating to engagement of the initial proposals. The Strategic Director, Community Services outlined the consultation process that had taken place.

Members stated their disappointment at the lack of non-executive Member engagement to the proposals stating their disappointment to the delays to requests to meet with officers to discuss Cabinets proposals.

A Member referred to the Equality and Diversity Considerations section of the Cabinet report and requested that a copy of the Equality Impact Assessment (EIA) undertaken and when the EIA was reviewed by the Cabinet.

With respect to Community Engagement Section of the report it was requested the details of the Community Groups involved in the engagement. Who was invited to be involved, who wasn't, who didn't want to be involved.

With regards to Risk Management section of the report, Members requested to have copy of the risk reviews to be circulated. They asked if any risks were highlighted to the possibility of a political change in North Tyneside? Had any considerations/mitigations been taken into account if this was to occur?

The Committee asked if there been any consideration made and if so what help would be provided to tenants who may find themselves in crisis following rent increases and effects of Welfare Reform? It was stated that a wider considerations were made that were outside the Cabinets proposals.

It was asked if the rent restructuring formula figures could be spread over a 52 week period instead of the 50 week as a measure to help tenants to aid tenants to manage the increase. It was also asked that the Committee be provided details of the lowest rentable properties in North Tyneside, the number of properties, location and cost of rent.

The Committee questioned the costs associated with each new build unit to be spent on Station Road and Brynness Court - £1,766m. It requested that benchmark comparisons to be made available to Finance Sub Committee.

A Member asked officers to clarify who was responsible to the setting the target for rent convergence. It was stated that central Government sets the guideline rent that authorities charge their tenants and the formula that is used for rent convergence.

The Member also stated that the cumulative effects of increase in rent in recent years would affect a number of tenants' ability to pay. It was of concern that as result of the measures being proposed, difficulties would arise in the rent collection and that arrears and eviction procedures would increase. It was acknowledged that rents had increased however a number of strategies were in place to support tenants with advice. Members were also informed that the authority had protocols in place to support tenants to avoid evictions.

With regards to funding being provided for fencing in the Capital Plan, it was asked if the £1.22m was solely to provide fencing as the proposed HRA Capital Plan indicated off street parking and landscaping were included. The Committee were informed that the total amount would be used for fencing for 2013/14. It was requested that information be circulated to Members on the proposed spend on fencing. The Chair then indicated that the Environment and Culture Sub Committee would be requested to investigate what provision would be in place for landscaping for 2013/14.

With regard to Hedley Place (Wallsend Town Centre Regeneration), Members were of the belief that Council tax void payment would be transferred to the General Fund, however £200k was shown as a pressure for 2013/14 the Committee asked for clarification.

The Committee requested that further detailed information/explanation how house building would be financed from the HRA budget and how the self – financed debt would be repaid.

Members highlighted that following the Welfare Reform Act the demand for smaller residences would increase, it was asked at what stage a decision would be made to what size of new build properties would be and concerns to the danger of building properties that would not be in demand in future years. It was stated that monitoring of demand would be on going and that concerns of this type had been raised with the Department of Communities and Local Government.

It was raised that bad debt provision would double and then treble in years 2013/14 and 2014/15. It was questioned to what plans were in place to manage bad debt and for copies to be circulated to Members. Mr Conway stated that evictions were the last option taken with regards to arrears. Protocols were in place to support tenants to avoid evictions and advice on a number of payment methods is provided. It was emphasised that over recent rent rises the number of evictions were a small percentage of the overall number of tenants.

The Committee was also informed that the bad debt provision amount was ring-fenced and would only be used within the HRA.

Agreed that (1) 2013-2015 Financial Planning and Budget Process: Cabinet's Initial Budget Proposal for the Housing Revenue Account (HRA) be noted;
(2) A copy of the Equality Impact Assessment (EIA) undertaken and evidence when the EIA was reviewed by Cabinet;

- (3) the Community Engagement Section of the report that detailed of the Community Groups involved in the engagement of the proposals be provided to the Committee;
- (4) Risk Management section of the report that a copy of the risk reviews to be circulated;
- (5) details of the lowest rentable properties in North Tyneside, the number of properties, location and cost of rent be provided to the Committee;
- (6) Benchmark comparisons to be made available to Finance Sub Committee, the costs associated with each new build unit to be spent on Station Road and Brynness Court;
- (7) information on the £1.22m spend on fencing for 2013/14 be provided to the Committee;
- (8) Landscaping/Grass cutting provision for 2013/14 be forwarded the Environment and Culture Sub Committee to monitor;
- (9) Clarification be provided to the Committee on the 2013/14 pressure due to Council Tax void payments;
- (10) further detailed information/explanation on how house building would be financed through the HRA budget and how the self – financed debt would be repaid be provided to the Committee.
- (11) a copy of the plan in relation with Bad Debt Provision – increase to cope with Welfare Reform to be provided to the Committee;
- (12) Committee was disappointed at the lack of Non-Executive Member engagement.