



Meeting of the Place Scrutiny Committee
Monday, 30th January, 2017 at 6.00pm
In Committee Room 2 at the Council House, Priory Road, Dudley

Agenda - Public Session
(Meeting open to the public and press)

1. Apologies for absence.
2. To report the appointment of any substitute members serving for this meeting of the Committee.
3. To receive any declarations of interest under the Members' Code of Conduct.
4. To approve the minutes of the meeting of the Place Scrutiny Committee held on 15th November, 2016.
5. Public Forum
6. Medium Term Financial Strategy – Housing Finance (Pages 1 – 6)
7. To consider any questions from Members to the Chair where two clear days notice has been given to the Monitoring Officer (Council Procedure Rule 11.8).

A handwritten signature in black ink, appearing to read "Sarah Noun". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chief Executive

Dated: 19th January, 2017

Distribution:

Members of the Place Scrutiny Committee:

Councillor A Finch (Chair)

Councillor M Aston (Vice Chair)

Councillors L Johnson, Z Islam, I Kettle, C Perks, H Rogers, M Rogers, R Scott-Dow, K Shakespeare and V Wale.

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Minutes of the Place Scrutiny Committee

Tuesday 15th November, 2016 at 6.00 pm
in Committee Room 2 at the Council House, Dudley

Present:

Councillor M Aston (Vice-Chair in the Chair)
Councillors A Finch, Z Islam, L Johnson, I Kettle, C Perks, H Rogers, M Rogers,
R Scott-Dow, K Shakespeare and V Wale.

Officers:

I Newman – Chief Officer – Finance and Legal Services (Lead Officer to the Committee); A Lunt, Strategic Director Place; M Williams – Chief Officer – Environmental Services; H Martin – Head of Planning and Development; G Dean – Head of Street and Green Care; J Butler – Group Engineer; M Shafie – Contractor Road Safety Consultant (All Place Directorate); R Cooper – Head of Financial Services; C Ludwig – Finance Manager and K Taylor – Democratic Services Officer (All Chief Executive's Directorate).

15. **Declarations of Interest**

No Member made a declaration of interest in respect of any matter to be considered at this meeting.

16. **Minutes**

Resolved

That the minutes of the meeting held on 22nd September, 2016, be approved as a correct record and signed.

17. **Public Forum**

A member of the Mary Stevens Bowling Club, Mr Rollason, expressed his disappointment that the Bowling Club had been asked to pay £12,000 towards the grounds maintenance at the Bowling Club by the Council. He stated that the Chairman, Mr Keys, had identified that the maintenance could be undertaken at a cheaper rate, as the Club would not be able to afford the proposed £12,000.

Members made a number of comments making particular reference to the Ernest Stevens Trust Deeds that stated that the maintenance of the grounds was the Council's responsibility and therefore had a legal duty to provide this service. It was also stated that the assets within the Trust, were in the public's interest and that the deeds had been adhered to for 87 years. The activities and respite care provided to the elderly through Bowling Clubs was viewed as a priority, and it was feared that implying the proposed charges to these clubs would have a detrimental effect on their future operation.

In response to the concerns raised, the Strategic Director Place, referred to the difficulties faced by the Council in setting a balanced budget and commented that it was crucial that alternative ways in which all services operated were explored. Suggestions in how the grounds maintenance service could be provided, at a reduced cost, would be welcomed. The number of free activities available to residents were also referred to and the Committee were advised that all cost saving proposals were subject to an Equality Impact Assessment.

18 **Change in Order of Business**

Resolved

That agenda item number 10 – Charging for School Crossing Patrols be considered as the next item of business followed by the remaining agenda items.

19 **Charging for School Crossing Patrols**

A report of the Strategic Director Place was submitted on background information about the reasons for the proposals to charge schools for the School Crossing Patrol (SCP) Service and to outline the consultation undertaken by Dudley Metropolitan Borough Council with schools regarding the proposal, together with a summary of the feedback from schools.

The Head of Street and Green Care stated that a SCP service can only be operated by an "Appropriate Authority", and whilst the Council was deemed an Appropriate Authority, it was only required to appoint persons to operate a SCP if it was deemed fit to do so. Given that the provision of a SCP service was discretionary, it was considered that the legal responsibility for ensuring the safety of children travelling to and from school was solely with the child's parents.

The importance of a school's commitment to funding a SCP site was highlighted and it was commented that those schools refusing to fund the service could potentially impact on the service provided to schools that were willing to fund a SCP site.

The Head of Street and Green Care outlined the Council's statutory duty in relation to road traffic accidents, and the implementation of a five year School Safety Zone programme.

The opportunity to re-align funding was referred to, together with the fact that schools had access to funding such as the Dedicated School Grant and the Physical Education and School Sport Premium grant, which could be combined with other initiatives. It was reported that the Physical Education and School Sport Premium grant was expected to be increased in September, 2017, however, this was currently being reviewed by the Department for Education.

As part of the presentation, a power point presentation was given outlining the key Council challenges and the steps taken during the consultation period. It was reported that between the period of 5th October, 2016 and 10th November, 2016, 26 responses to the 123 consultation invitations had been received. From the responses received it was evident that schools understood the importance of providing a SCP service, however, it was noted that the preferred option for Schools would be for the Council to continue to provide this service.

The next steps were outlined including briefings to School Crossing Patrols and the establishment of a working group with the Chair of the Primary and Secondary School Forums to develop a Service Level Agreement.

It was further noted that a number of petitions had been received against the proposals made.

The Chair invited those residents present to address Members of the Committee.

Mrs S Dudley, School Crossing Patrol, stated that all School Crossing Patrols were well respected throughout the Borough, and asked how many schools had responded to the consultation.

The Head of Street and Green Care confirmed that 26 schools had responded to the consultation, and assured that letters had been sent to all schools highlighting the importance of the service and consultation. Although a small percentage of feedback was received, further discussions will be held with all Head Teachers regarding the priorities of each school and to identify cost effective plans to guarantee a future sustainable service.

Mr G Hollins, resident, expressed concerns that the proposal to remove School Crossing Patrols was being considered given the possibility of a fatality to a child. He stated that schools were dealing with a significant reduction in budgets and queried why residents were paying Council Tax if important services such as this were being cut.

A parent representative from Thorns Primary School queried why schools had been asked to fund the service given that schools budgets were already stretched.

The Head of Street and Green Care acknowledged the difficulties faced by Schools as a result of reduced budgets, and emphasised that the Councils budgets had also been reduced and therefore a review of all non-statutory services was required in order to meet future budget pressures. He also confirmed that the proposal was not to remove School Crossing Patrols, but to identify alternative funding options and to explore how the service could be delivered differently. It was also noted that the Council was not responsible for the allocation of School budgets.

A School Crossing Patrol and local resident queried why the proposed savings were 395,000 given that he only earned £10 per day, and that the removal of School Crossing Patrols could expose children to risk.

The Head of Street and Green Care advised that the savings included full service costs including associated overheads and reiterated that the proposal was not to remove School Crossing Patrols, but to identify alternative funding options.

Arising from the presentation of the report submitted, Members asked questions, made comments and responses were given where appropriate:-

- Councillor Shakespeare advised that the Conservative Group were opposed to the proposal, and that the proposals put forward by the Conservative Group would have prevented the risk to front-line services. She also stated that the safety of children was paramount and referred to the safer routes to school programme, in particular, 20mph zones and suggested that these be reviewed as drivers were not adhering to the restricted speed limit.
- A member acknowledged the difficult decisions to be made in order to meet budget pressures and considered that the Council and Schools were both morally responsible in providing a SCP service, and suggested that further safety information could be provided to parents and children when travelling to and from School.
- Councillor Johnson agreed with the comments made by Councillor Shakespeare and urged the Committee to consider the wellbeing of children.
- Following the comments made regarding the possibility of funding the SCP service with the Physical Education and School Sports Premium grant, it was suggested that this could not be relied upon as there was still some uncertainty as to how it could be applied.
- The Head of Street and Green Care advised that the Council currently provided school crossing patrols to approximately 81 sites, which were operated by approximately 63 dedicated patrols. It was however noted that this figure was fluid due to a recent disestablishment of sites. The costs involved were based on hourly rates of patrols and the time required at each site inclusive of full cost recovery for the service.

- Concerns were raised by Members with regard to the lack of breakdown of costs involved with providing the school crossing patrols service, and the discrepancies in the figures against the report submitted to the previous Committee meeting.
- The Head of Street and Green Care confirmed that the proposal was not to remove school crossing patrols but to identify alternative funding options, however if the proposal was approved and implemented, a low take-up from schools could have a direct impact on patrol staff. A breakdown of the associated costs of the service provided to members at its meeting of 22nd September, 2016 was also brought to the attention of Members.
- In responding to a member in relation to the judgement by the House of Lords in the case of Regina v Rogers, in that for a route to be available, it must be a route along which a child, accompanied as necessary, can walk with reasonable safety to school. The Head of Street and Green Care acknowledged this and that the SCP service had been provided by the Council for a number of years, but savings were required in order to meet the budget constraints.
- That subject to a new service level agreement with schools, individual parents/carers could become an accredited school crossing patrol through the recruitment process, however the Council would be obliged to ensure that all school crossing patrol candidates had the relevant Disclosure and Barring Service clearance and health checks.
- That should the proposal be approved, the Council would be required to retain a small number of staff to ensure that the SCP duties and responsibilities were discharged correctly and operational control maintained. The support provided by the staff would be re-charged to the individual school.
- A member considered that the timeframe for the introduction of the new funding arrangements should be extended to allow the schools involved to implement appropriate training.

Following concerns raised by Members, the Chair requested that a representative from the Education Service, such as a spokesperson for Governors or Head Teacher's, attend the next meeting of the Committee to present their perspective on the proposals made. Members will then make their recommendations at that meeting, prior to the final decision of the Budget by Council in March, 2017.

Resolved

- (1) That the information contained in the report and Appendices to the report submitted, on charging proposals for school crossing patrols, be noted.

- (2) That the Strategic Director Place be requested to submit a further report in relation to SCP to the next meeting of the Committee.
- (3) That a representative from the Education Service be invited to attend the next meeting of the Committee to present their perspective on the proposals made

20. **Dudley Housing Asset Analysis Methodology Presentation**

The Strategic Director Place verbally updated Members on the Strategic Asset Management Analysis Methodology. A copy of the information presented would be circulated to Members for information.

The Strategic Director Place reported that it was vital to maintain the value and condition of the housing stock asset base and ensure that existing housing met current and future needs.

The Council commissioned consultants IS4 to undertake the Housing Asset Management Analysis to provide an indicator of stock sustainability based on two criterias; a financial assessment and performance and prospects assessment leading to all stock being allocated a 'Red Amber or Green, or alternatively, a 'RAG' Rating. The priority areas identified a concern for high rise accommodation, the 28 streets / blocks that contained 14% of all void properties in the borough and the significant number of streets where the Council owned a single property.

The Strategic Director Place advised that every unit within Arley Court, Compton Court, Manor Court and Wells Court had been identified as red flagged and clearly not sustainable, and the decision by Cabinet in July, 2016 to demolish the properties had saved £10m in refurbishment costs in the Housing Revenue Account.

The next steps were outlined including the detailed assessment of the remaining 24 streets that contained the majority of voids and assessing low rise accommodation, which would produce the basis of a 30 year investment plan.

The Strategic Director Place advised that residents had been consulted individually to address their housing needs and assured the Committee that support and compensation, if necessary, would be given to the residents.

A Member raised concerns with regard to the level of Anti Social Behaviour arising from the Performance and Prospects Assessment by IS4 and the work undertaken by the Anti Social Behaviour Team. The Strategic Director Place, in response, confirmed that the working hours of the Anti Social Behaviour Team were until midnight and there was a close working relationship with West Midlands Police. It was also confirmed that a property would be red flagged if there were consistent issues of anti social behaviour only and not by an isolated incident. It was noted that Anti Social Behaviour would be discussed at a future Council Debate meeting.

Following a request by a Member, the Strategic Director Place undertook to provide a briefing note to Members for the forthcoming Council debate on dealing with Anti Social Behaviour and utilising the service effectively. He also undertook to provide a further report highlighting the 'lessons learnt' from the process of re-housing tenants of the four high rise blocks identified avocet to a future meeting of the Committee.

Resolved

- (1) That the information presented on the Housing Asset Analysis Methodology be noted.
- (2) That the Strategic Director Place circulate a briefing note to Members on dealing with Anti Social Behaviour and utilising the service effectively.
- (3) That the Strategic Director Place submit a report to a future meeting of the Committee on 'lessons learnt'.

21 **Medium Term Financial Strategy**

A joint report of the Chief Executive, Chief Officer -Finance and Legal Services and Strategic Director Place was submitted consulting on the Medium Term Financial Strategy to 2019/20 with emphasis on proposals relating to the Committee's terms of reference.

In presenting the report submitted, the Chief Officer -Finance and Legal Services confirmed that consultation with Scrutiny Committees had commenced and that there was an opportunity to give further consideration to the savings proposals at the Committee meeting scheduled for 30th January, 2017, prior to the final decision by Cabinet on 6th March, 2017.

The forecast position reflecting the revised spending proposals was outlined indicating that balances would be sufficient to fund the deficit until the end of 2018/19, however further action was needed to address the deficit in 2019/20. It was noted that Dudley had low level balances compared to other Local Authorities.

Arising from the presentation of the report submitted, Members considered the savings proposed under the terms of reference of the Place Scrutiny Committee, as set out in Appendix A of the report submitted, in which comments were made and questions asked which were responded to by Officers as follows:-

- Reference was made to the number of transformation initiatives identified to address the financial challenges, in particular that it appeared that front line services were heavily affected. The Chief Officer - Finance and Legal Services drew attention to proposals in the report for savings from support services, including Information Technology.

- In regard of the review of the winter service provision, the Chief Officer – Environmental Services stated that the continuation of the service was a priority, and as breakdowns in vehicles were rare, given the maintenance regime undertaken, this had allowed the disposal of a spare gritter vehicle. It was also reported that the 8 ‘rounds’ would be reduced to 7, however, any reductions would be based on a risk base methodology analysis and consultation with Ward Members. The use of grit bins will also be reviewed.
- In responding to a question by a Member in relation to the Combined Authority, the Chief Officer – Finance and Legal Services confirmed that when Council approved the budget in February, 2016, the proposals in respect of the Combined Authority were being developed and there was uncertainty as to contributions expected from the seven councils. It was reported that future contributions may now be required, and that a decision will be required as to how these are shared.
- A Member raised a number of concerns regarding the proposed savings affecting Parks and Open Spaces, making particular reference that car parking charges and disposal of green space asset was against deeds of gifts on Trust land. In responding, the Chief Officer – Environmental Services confirmed that the disposal of Trust land was not being considered, and that the focus was on unused green space that could be utilised more effectively, such as, housing development. He assured the Committee that the Council were aware of its legal obligations in respect of Trust land and would continue to do so.
- Following a question raised by a Member, it was noted that Parks were graded by a number of categories outlined in the Green Spaces Asset Management Plan, and that the main objective was ensuring that each household had access to green space.
- The Chief Officer – Environmental Services undertook to provide Members supplementary information on the Green Spaces Asset Management Plan and associated green space.
- Reference was made to the proposed increase to car parking charges in particular that it was possible that residents could park in neighbouring streets to avoid paying to park their vehicle. The Chief Officer – Environmental Services advised that town centre car parking would be reviewed in order to identify any innovative methods to address the savings required.
- Concerns were also raised in relation to the proposal to discontinue maintaining bowling greens. The Chief Officer – Environmental Services advised that a number of bowling clubs welcomed an asset management approach in view of the high maintenance of the greens, and that discussions were ongoing in order to move forward.

Resolved

- (1) That the Cabinet's proposals for the Medium Term Financial Strategy to 2019/20, as set out in the report, and Appendices to the report, submitted be noted.
- (2) That the Chief Officer – Environmental Services be requested to provide Members with supplementary information on the Green Spaces Asset Management Plan and associated green space.

22 **Approval for Public Consultation on the Draft Statement of Community Involvement (SCI) and Review of The Public Speaking Process**

A report of the Strategic Director Place was submitted on the draft Statement of Community Involvement (SCI) to be used as a basis for public consultation commencing on Friday 30th September, 2016 for a period of eight weeks, and the proposed changes to the public speaking process. A copy of the draft Statement of Community Involvement (SCI) was attached as Appendix A to the report submitted.

Resolved

That the information contained in the report and Appendices to the report submitted on the draft Statement of Community Involvement (SCI) and the proposed changes to the public speaking process, be noted.

23 **Questions to the Chair**

In accordance with Council Procedure Rule 11.8, Councillor H Rogers had given written notice to the Monitoring Officer of a question to the Chair. The question and response was circulated at the meeting as summarised below:-

Question:-

Why have Officers of the Place Directorate been allowed to ignore the Terms of Reference of the Ernest Stevens Trust Management Committee, which were revised at the meeting on 27th October 2016 to be very clear, to allow members of the public to think that the Deeds of Gift for Stevens Park, Wollescote; Mary Stevens Park, Stourbridge; Stevens Park, Quarry Bank and Homer Hill Park, Cradley, in relation to Sunday and Good Friday play restrictions can be changed by the Council?

No documents relating to Homer Hill Park were given to the Committee to consider and there may have been other paragraphs relating to exceptions. I do not think that all members of the Committee had access to the appropriate Deeds to check the conditions therein at the meeting, or the consequences such a decision would have on other Trust Deeds.

Also, why the users of the Bowling Greens and Croquet Lawn should be made liable for the maintenance of these when quite clearly it is a Council responsibility stated throughout the Trust Deeds which are legal documents and the governing documents of each Park, registered with the Charity Commission so that they are protected in perpetuity?

The Ernest Stevens Trust Management Committee is a quasi-judicial committee set up to administer the Trust Deeds as of the date they were written as specified in the Terms of Reference, and neither the ESTMC or the Council have the right to change the Trust Deeds in this way. It causes a conflict of interest of the Council as all the properties concerned are held in trust and not owned by the Council. A Deed of Gift overrides Budgetary constraints as we know.

Answer:-

Officers are aware of the requirements of the terms of reference of the Ernest Stevens Trusts Management Committee. On 27th October, the Committee considered the draft consultation document and changes were made. The consultation period was extended to 30th November 2016 to ensure adequate time for views to be obtained. The consultation process was also raised at all 10 Dudley Borough Community Forums earlier this month. The document was also amended to state that the Council was left the parks as trustee and that the Council will consult with the Charity Commission on all proposals, and liaise with the Ernest Stevens Trusts Management Committee.

The minutes of the Ernest Stevens Trusts Management Committee on 27th October, 2016 make it clear that the consultation is an initial stage. Following the consultation, a further report will be submitted to the Ernest Stevens Trusts Management Committee. This will include full consideration of the legal implications. Officers have confirmed that the Members of the Ernest Stevens Trusts Management Committee have also been supplied with a summary of the conveyance relating to Homer Hill Park.

It is not appropriate at this stage to prejudge the outcome of the ongoing consultation. However, if the Ernest Stevens Trusts Management Committee is of the view, at any time in the future, that there should be changes made to the Deed of Gift, this would be referred to the Charity Commission based on all relevant and available information. This process is separate from the approval of the Council's Medium Term Financial Strategy.

The meeting ended at 8.25 pm.

CHAIR

Meeting of the Place Scrutiny Committee – 30th January 2017

Joint Report of the Strategic Director of Place and the Chief Officer, Finance and Legal Services

Medium Term Financial Strategy - Housing Finance

Purpose of Report

1. To consult the Scrutiny Committee on the principles adopted in the proposed Housing Revenue Account (HRA) budget for 2016/17, 2017/18 and future years, in the context of rent reductions and the impact of the government's welfare reforms.

Background

HRA Budget 2016/17

2. The 2016/17 HRA revenue budget, rolling 5 year Public Sector Housing capital programme and 30 year HRA financial business plan were presented to Cabinet in February 2016 and took into account the annual reduction of 1% per year in social rent levels required within the Welfare Reform and Work Act 2016.
3. A revised HRA budget for 2016/17 was presented to Cabinet in October 2016, taking into account the latest financial forecasts. This proposed a number of budget revisions owing to:
 - Updating the Public Sector Housing capital programme to take into account 2015/16 final outturn
 - Release of bad debt provision for housing rents as a result of good performance on rent collection and also a review of accounting for the bad debt provision on housing benefit overpayments, in the light of the 2015/16 audit.
 - Updating the Management budget to account for earmarked reserves brought forward into 2016/17 to support, for example, ICT developments and specific projects.
 - Minor variations to interest payable relate to savings on interest rates.
 - Increase in revenue contribution to capital expenditure using additional resources available to support future housing improvements and major works.
 - Increase in Discretionary Housing Payment HRA top-up in order to address increased demand mainly as a result of the reduction in the benefit cap from £26,000 per annum to £20,000 per annum for couples and families.

- The transfer of Oak Lane Travellers' Site and Lye Homeless Centre from the General Fund to the HRA, in order to maximise efficient operation and reduce financial risks to the General Fund, enable consistent treatment of Lye Homeless Centre with other hostel accommodation already funded within the HRA, and facilitate future investment in these sites, subject to overall HRA resources and priorities.
4. Service pressures including the roll-out of welfare reforms, notably Universal Credit and the reduced benefit cap, as well as Right to Buy replacement targets for new build homes, the proposed sale of high value empty homes and the introduction of fixed term tenancies will all impact on HRA budgets in future years to increase, for example, the cost of management and the provision required for bad debts.

Formula Rent

- 5.. From 2001 to 2014, council rents increased above inflation, under a process known as "convergence", to bring them more in line with Housing Association rent levels and achieve more comparability between social sector rents. Convergence was scheduled to end in 2015/16, but the Government ended the process a year earlier, in 2014/15. In addition, in 2014/15, Cabinet agreed to implement a 1.5% rent increase, which was lower than the 5.2% allowed under the Government's rent increase formula, and in 2015/16 rents were frozen at the previous year's levels.
6. As a result of the early end to convergence, the total rent debit is £2.6m lower than it would be had we been able to continue to convergence. In October 2016, Cabinet agreed the proposal that, where a property becomes void, the rent for the new tenant will be set at the formula level, effectively achieving convergence at the point of a new let. Over 80% of properties will see an increase in rent of under £3 per week, with a further 17% having an increase of between £3 and £4 per week. The average weekly increase is £2.28 per week. Existing tenants in their current properties will not be affected.
7. It is estimated that, with an average tenancy length currently of around 11 years, this will bring in just over £200,000 additional rent income each year, with all tenancies eventually moving to formula rent. With rents reducing by 1% each year until April 2019 under current government rent policy, this will help to support our expenditure on maintaining, improving and managing stock. This new approach will be introduced from April 2017 and will apply for all new lets, including current tenants moving to a different property.

"Pay to Stay" (Higher Income Social Tenants)

8. The Government has now announced the withdrawal of its policy that from 2017/18 council tenants with household income of over £31,000 (outside London) will pay higher rents, moving towards market rent levels.

Government Policies – update

9. Although "Pay to Stay" has been withdrawn, we await further information on the Government's proposals to introduce mandatory fixed-term tenancies, and also to introduce a levy for housing authorities based on their higher value housing

stock. At this point, we do not expect either of these policies to be introduced during 2017/18, as there is a great deal of work still to be done on their detailed operation. Both policies, however, will, when introduced, impact on the housing management functions and also on the HRA budget.

10. The national roll-out of Universal Credit continues. At present, only new claims from single people are processed as Universal Credit, with couples, families, and current claimants remaining on legacy benefits, including Housing Benefit. On average, we have seen around 5 new Universal Credit claims each week. From July 2017, all three jobcentres in the Dudley MBC area (Dudley, Halesowen and Stourbridge) are scheduled to start processing all new benefit claims (i.e. including couples and families) as Universal Credit. In addition, this stage of the roll-out also covers around 25 types of changes in circumstances which will trigger a move to Universal Credit. We expect this to significantly increase the number of Universal Credit claimants in the borough. Where these are our tenants, they will no longer receive Housing Benefit but will be responsible for paying their rent themselves, leading to an increased risk of rent arrears as well as increases in transaction costs and account management.

HRA budget proposals

11. The proposed budget for 2017/18 is based on estimated resources available of around £89m. Of this:
 - a. Around 20% (£18m) is required to service historic housing debt of £470m of which £335m was taken on as a consequence of the HRA Self-Financing settlement that replaced the former HRA Subsidy system in 2012. This covers the payment of interest only. It is perfectly acceptable to set a budget to pay interest only, so long as sufficient investment in our housing stock is maintained to keep properties in good order and uphold their value. Our medium term financial strategy is to pay interest only, so that we have as much resource as possible to spend on maintaining, managing and improving our housing assets, rather than directing resources to repaying debt at this stage.
 - b. Around 19% (£17m) is required to fund the management of the housing service, including estate management, lettings, supported housing and rent collection. This includes a contribution to Discretionary Housing Payments of over £0.5m, council tax on empty homes of over £0.5m, buildings insurance of around £0.8m and central Council overheads of around £4m. As noted in paragraphs 4, 9 and 10 above, there are a number of service pressures relating to the management of the housing service, around, for example, welfare reform and proposed changes to Government housing policy.
 - c. Around 26% (£23m) is required for repairs and maintenance to the housing stock to keep our homes in good order and carry out essential statutory repairs to safely maintain properties and safeguard residents. This includes undertaking statutory servicing and repairs to gas appliances, maintaining and servicing lifts and electrical equipment and installations (particularly in flatted developments), grounds maintenance on estates and re-decoration works. However, it excludes any capital improvements required to maintain our assets' value by replacing major components such as kitchens, roofs, windows and heating. Our routine repairs and maintenance work contributes to keeping properties in good condition so

that they can be re-let more quickly on a change of tenant, minimising the rent loss while the property is empty.

- d. The above accounts for 64% of available resources, leaving around 35% (£31m).

This is required to support major repairs, investment works and new build, and is categorised as capital expenditure. Based on the number, type and condition of our properties, external audit recommendations are that a minimum of £25m is required annually to ensure that our stock continues to be maintained at an acceptable level and value. We have to do this not only because it is the right thing to do for our tenants but also because if we do not, we may find ourselves unable to support our historic debt, as our ability to do so depends on the condition and value of our stock.

- e. The remaining £6m can be spent on other priorities, including new build. There is a recognised need to update and refresh our stock with modern homes that meet today's aspirations. We are also subject as a housing authority to Government targets on Right to Buy Replacement, where, if we do not spend the required level of funding on new council homes to replace those sold under Right to Buy, we will have to return the receipts to Government. Other pressures include a 30 year capital investment need of £683m at October 2016 with a catch-up investment need of £108m.

12. Detailed 2017/18 budget proposals for the HRA and the Public Sector Housing capital programme will be included in the report to Cabinet in February 2017 ahead of formal approval by Full Council in March in accordance with the Council's Constitution. The Committee are advised that the proposal will seek approval of:

- Dwelling rents decrease of 1% as required under the Welfare Reform and Work Act 2016.
- Increases in garage, garage plots and access agreements as scheduled every third year and in line with inflation over the period, subject to some rationalisation of charges to improve consistency across the Borough.
- Increases in sundry charges broadly in line with inflation.
- Revenue budget setting in line with the principles outlined in paragraph 11.
- A five year capital programme (2016/17 to 2020/21) which maintains current priorities as noted in paragraphs 13 – 15.

13. Over the last year, expenditure on empty properties has reduced substantially, following the in-depth review of our policies and specifications, which we reported in detail to Scrutiny Committee meetings during 2015 and 2016. Our aim remains to use savings largely flowing from a reduction in spend on empty homes to deliver planned programmes which can achieve better value for money. At the end of 2015/16, actual capital spend on empty properties was £12.4m against a budget of £14.3m, representing a reduction of £1.9m, mainly achieved during the second half of the year. In 2016/17, a capital budget was set of £7.8m and spend of £6.8m is forecast. This represents a reduction of £7.5m (53%) compared to the budget in 2015/16. Our latest projection of rent loss from empty properties is 2.57% compared to 3.18% at the end of 2015/16, which shows that we are letting empty properties more quickly, and we have also seen an average 10% reduction in the cost of bringing empty homes back into use.

14. The proposed capital budget will represent a rolling programme to 2020/21, and will be reviewed in the context of the ongoing development of our long-term strategic investment management approach to housing stock. Previous reports to both the Place Scrutiny Committee (March 2016 and September 2016) and also earlier reports to the Adult, Community and Housing Services Scrutiny Committee (September 2014 and October 2014) have considered this approach, which focuses on identifying and measuring stock performance to inform investment, remodelling and de-investment decisions.
15. The budget proposals will continue to support wider community needs such as maintaining adaptations for people with disabilities and heating programmes to reduce fuel poverty. These programmes will contribute to reducing the burden on public health budgets by helping to provide independent living in affordable homes within safe communities.

Budget Consultation

16. The Housing Board and DFTRA (Dudley Federation of Tenants' and Residents' Associations) have been consulted on the proposals for 2017/18 budgets.

Finance

17. Section 76 of the Local Government and Housing Act places a duty on the Council to ensure that no action will be taken that may cause a deficit to arise on the HRA by the end of each financial year. A duty is also placed on the Council to review the financial prospects of the HRA from time to time. Reviews and regular monitoring carried out confirm that the HRA will comply with the requirements of the Act.

Law

18. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing. The 1% rent reduction for social landlords which will apply from 2016/17 until 2019/20 is governed by Section 23 – 33 of the Welfare Reform and Work Act.

Equality Impact

19. The proposals take into account the Council's Policy on Equality and Diversity.

Recommendations

20. That the Committee notes the principles adopted in the proposed Housing Revenue Account (HRA) budget for 2016/17, 2017/18 and future years.



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List of Background Papers – none