

SELF REGULATION SELECT COMMISSION
8th January, 2015

Present:- Councillor Currie (in the Chair); Councillors Cutts, Ellis, McNeely, Reeder, Sharman, Wallis, Whelbourn and Wyatt.

Apologies for absence:- Apologies were received from Councillors Johnston, Rushforth and Smith.

36. DECLARATIONS OF INTEREST

Councillors Currie Cutts, Ellis, McNeely, Reeder, Sharman, Wallis, Whelbourn and Wyatt declared personal interests in Minute No. 44 (Housing Rent Increase) on the grounds that they were or had family or friends who were Council tenants.

37. QUESTIONS FROM MEMBERS OF THE PUBLIC AND THE PRESS

There were no questions from members of the public or the press.

38. COMMUNICATIONS

The Chairman advised the Select Commission that Council had personally thanked those involved in the Scrutiny Review of Standing Orders.

The continuing work into the Constitution would, going forward, be led by Councillor Wyatt, who had replaced Councillor Watson on the Select Commission.

39. MINUTES OF THE PREVIOUS MEETING HELD ON 23RD OCTOBER, 2014

Consideration was given to the minutes of the previous meeting held on 23rd October, 2014.

Reference was made to Minute No. 32 (Previous Minutes) and Councillor Whelbourn sought clarification whether paper based complaints forms were still in existence. It was confirmed that complaints forms were available for relevant officers to print when required and a link to the complaint form would be circulated with the minutes.

Councillor Whelbourn asked if the Virement Policy had been circulated to Select Commission's Members as per Recommendation (4) of Minute No. 3 (Revenue Budget Monitoring) and was informed that the Virement Policy was part of the Financial Regulations documentation and a link to the relevant document would be circulated with the minutes.

Questions raised by Councillor Ellis relating to the savings within Adult Services and the attendance of the Director of Health and Wellbeing at the meeting would be addressed within the Revenue Budget Monitoring report on this agenda and the recommendation of the Chairman later in the meeting for a Sub-Committee of the Select Commission to consider some issues in more detail.

Councillor Ellis also made reference to Minute No. 34 (Capital Programme Monitoring) and the occupancy rate of the Borough's business investment units and was informed that this figure would be obtained and forwarded on.

However, it was noted that, following the request for additional information on the Government's requirement to provide universal Free School Meals to all infant aged school children, the purchase of different equipment had led to an increased number of school meals being supported since the commencement of the school year. It was anticipated that all equipment by schools would be purchased and installed within the budget of £600,000. It could not be confirmed at this stage where all the purchases for equipment had been made and if they were from local companies. However, this did coincide with a piece of work undertaken as part of a Scrutiny Review, but not yet completed, into commissioning and procurement which could provide some valuable information to the review of the commissioning framework and it was suggested that an early draft of the report be circulated.

Resolved:- (1) That the minutes of the previous meeting held on 23rd October, 2014 be agreed as a correct record for signature by the Chairman.

(2) That the links to the complaints form and Virement Police and information requested on the occupation rate be circulated with the minutes.

40. CORPORATE PLAN OUTCOMES

The Chairman welcomed Jan Ordmondroyd, Interim Chief Executive, to the meeting and invited her to give an update on the Corporate Plan Outcomes.

The Interim Chief Executive advised the Commission on the reason for the delay in the report being presented.

The complexities of the data were such that this needed to be considered in light of other information coming forward and, therefore, needed further analysis to ensure the context of the report was as accurate as possible. The report would be submitted to the relevant meetings in the next few weeks.

Members of the Select Commission were satisfied with the information shared by the Chief Executive and were in agreement with the report being delayed to ensure the data was robust. However, it was pointed out that the correct route for the presentation of reports for scrutiny should be adhered to.

Resolved:- That the Interim Chief Executive be thanked for her explanation on the reason for the delay of the report.

41. REVENUE BUDGET MONITORING FOR THE PERIOD ENDING 31ST OCTOBER 2014

Further to Minute No. 105 of the meeting of the Cabinet held on 17th December, 2014 consideration was given to a report presented by Pete Hudson, Chief Finance Officer, which provided details of progress on the delivery of the Revenue Budget for 2014/15 based on performance for the first seven months of this financial year. It was currently forecast that the Council would overspend against its Budget by £2.976m (+1.4%); an improvement of £129k since the last report to Cabinet in October (August monitoring report).

The current forecast outturn excluded the costs of implementing recommendations from the Jay report and the Ofsted Inspection, and the costs which would be borne by the Council in respect of the Corporate Governance Inspection.

The main reasons for the forecast overspend were:-

- The continuing service demand and cost pressures for safeguarding vulnerable children across the Borough.
- Cost pressures arising from some schools converting to academies.
- Continuing Health Care income pressures and demand pressures for Direct
- Payments within Older People and Physical and Sensory Disability clients.

The moratorium on non-essential spend implemented on 2nd September was noted and would continue until the end of March, 2015. This would assist with reducing the forecast overspend.

Continued close management of spend remained essential if the Council was to deliver a balanced outturn and preserve its successful track record in managing both its in year financial performance and its overall financial resilience.

The costs associated with the report undertaken by Professor Jay amounted to £102,000 in 2014/15. This represented only the cost of engaging Professor Jay and her external staffing support..

Costs associated with the Corporate Governance and Ofsted Inspections were currently being quantified and would be included in the next monitoring report, which was due to be presented to Cabinet on the 4th February, 2015.

It was hoped that the Council could deliver a balanced budget with the overspends being aligned. The Council's revenue reserves would have to fund any additional costs.

Councillor Ellis referred to the costs associated with the inspections and asked for a guestimate, but was informed it was impossible to put a figure on this at this stage as information was still be collated.. The Chief Executive had written to the Secretary of State about the costs to the Council, but had yet to receive a reply.

Councillor Ellis also referred to the Council being responsible for accrued deficits when schools converted to sponsored academies and was informed that Clifton Comprehensive was not included in the Children and Young People's Services section of the report on Page 13 as the school would not convert to an Academy in 2014/15.

The Deputy Leader pointed out that the predicted overspend of £1 million had been raised with the Strategic Director of Children and Young People's Services who had given Clifton Comprehensive until the end of January, 2015 to produce a spending plan to bring spending in line with the level of funding allocated. Only once the academy conversion took place would the Council be responsible for the deficit. There was no contingency fund to pick up these costs

The Select Commission noted the request for academy conversions along with child sexual exploitation to be added to the Corporate Risk Register.

Councillor Ellis also referred to Page 15 of the agenda pack and specifically asked for clarification of the £1.440 million which had been budgeted to be used from the Housing Revenue Account reserves and was informed the figure included vacancy management, carry forward from various projects and capital works.

The Select Commission noted the consultancy spend and suggested this be monitored closely as there was a potential risk for this to increase when expertise within the Council had been lost with staff retiring/leaving.

Councillor Ellis also referred to the cover arrangements and interim appointments within Children and Young People's Services and was informed, when asking about whether these were cost neutral, that some of the additional costs would feature in the forecasted overspend for this financial year and only one salary cost for the Director of Safeguarding was being paid. All costs needed to be collated and would be documented in the revenue budget monitoring report to Cabinet, but details would be circulated to the Select Commission for information.

Councillor McNeely noted the numbers of looked after children requiring placements had increased by seven since the start of the financial year and asked if parents were paid to care for their own children and whether the figures included costs the Council was receiving from other Local Authorities' children's placements.

The Deputy Leader confirmed that work was ongoing with the Director of Safeguarding, Children and Families to look at the costs of out of authority placements, particularly in light of the Jay Recommendations.

The Chairman suggested that this be included in a piece of work by a sub-group of the Select Commission and sought nominations.

Resolved:- (1) That the current forecast outturn and the continuing financial challenge for the Council to deliver a balanced revenue budget for 2014/15 be noted.

(2) That a Sub-Group comprising Councillors Currie, McNeely, Reeder and Whelbourn look at various areas of concern, including out of authority placements and the Housing Revenue Account.

42. CAPITAL PROGRAMME MONITORING 2014/15 AND CAPITAL PROGRAMME BUDGET 2015/16 TO 2016/17

Further to Minute No. 105 of the meeting of the Cabinet held on 17th December, 2014 consideration was given to a report presented by Pete Hudson, Chief Finance Officer, which provided details of the current forecast outturn for the 2014/15 programme and enabled the Council to review the capital programme for the financial years 2015/16 and 2016/17.

The budget process that led to the original Capital Programme for 2014/15 to 2016/17 ensured that the Council's capital investment plans were aligned with its strategic priorities and vision for Rotherham.

In order to maintain that strategic link, and make best use of the capital resources available to the Council, it was important that this programme was kept under regular review and where necessary revisions made. This programme was last reviewed in September, 2014, and had now been the subject of a further review, the results of which were reflected in the Directorate summary table presented as part of the report. A detailed analysis of the programme for each Directorate was attached as part of the report.

The financial implications of the Programme were reflected in the Council's Medium Term Financial Strategy (MTFS) and Treasury Management and Investment Strategy.

This updated programme had been prepared in light of the capital resources known to be available to the Council over these financial years and estimated on a prudent basis.

The Council was continuing to undertake a comprehensive review of its assets and buildings portfolio, with the aim to rationalise both its operational and non-operational asset holdings, which may contribute both a future capital receipt and a revenue saving.

The Chairman suggested that consideration be given to an all Member Seminar on the Corporate Plan Priorities and the Capital Programme and how the two married together.

Councillor Ellis referred to the Capital Strategy and the associated spend and asked that the Overview and Scrutiny Management Board give some consideration to review the extent of the delegation of powers to officers.

The Deputy Leader confirmed that consideration was being given to capital and the budget setting process with officers and in particular the Capital Strategy. Approvals were being put in place for capital projects and options available and this could be undertaken in conjunction with the Overview and Scrutiny Management Board.

Councillor Whelbourn referred to the Forward Plan of Key Decisions and how it did not appear to be working as effective as it should be. Discussion had taken place at other meetings as to how it was being under-utilised and this was confirmed by the Deputy Leader who reiterated the powers of the Chairman of the Overview and Scrutiny Management Board as part of the Access to Information Rules.

Councillor Ellis requested additional information for the report moving forward to identify which projects were on time and on budget. Officers confirmed this could be incorporated into future reports.

Councillor Ellis also sought further information on the detail of the new integrated housing management I.T. system and the programme for implementation of Phases 1 and 2 were outlined. This complex project had taken six dedicated staff to implement and once complete would give significant improvement to all systems for rents, repairs, estate management and integrated financial data. It was envisaged that all phases would be complete by the end of 2015.

Services were being delivered by the current system, but there was limited control of rent data. The implementation of the new system would completely replace the current system. A short briefing paper on the new I.T. system and where there may be gaps of information would be provided as per the request by Councillor Ellis.

Resolved:- (1) That the contents of this report be noted.

(2) That the updated 2014/15 to 2016/17 Capital Programme be noted, in particular the following major additions to the Capital Programme and supplementary approvals to existing schemes:-

- New Central Primary School, Eldon Road. (Additional cost of £1.050m, Minute F5 Cabinet Member for Children and Education Services, 16th September 2014).
- Rawmarsh St. Mary's PRU (Cost of £0.069m. Works approved by the former Strategic Director of Children and Young People's Services, Joyce Thacker, 23rd July 2014).
- Thrybergh Country Park Phased Improvements (Cost of £0.136m. Works approved by the Director of Internal Audit and Asset Management, Colin Earl, 5th November 2014 and reported to CSART, 27th November 2014).
- Aston, Aughton and Swallownest Phase 2 Drainage Works (Cost of £0.145m. Grant funding allocated by the Environment Agency.).
- Bailey House Renovation project (Additional cost of £0.034m approved by CSART, 23rd October 2014. Original project approval, Minute C34 Cabinet, 21st July 2010).

Where not funded by grant or by the service, the revenue implications from these schemes has been built into the Council's MTFs assumptions.

(3) That an all Member Seminar be arranged in due course looking at the Corporate Plan Priorities and the relationship with the Capital Programme.

(4) That Overview and Scrutiny Management Board give some consideration to review the extent of the delegation of powers to officers.

(5) That additional information be incorporated into the report identifying which projects were on time and on budget.

(6) That a briefing note be provided on the new integrated housing management I.T. system.

43. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act (as amended March, 2006) (information relating to financial and business affairs of any particular person).

44. HOUSING RENT INCREASE 2015-16

Consideration was given to a report presented by Dave Richmond, Director of Housing and Neighbourhood Services, and Mark Scarrott, Finance Manager, which detailed the proposed housing rent, new build rents, garage rent and communal facilities increases for 2015/16 to go

forward for consultation, and subject to the outcome of that consultation to be presented at Cabinet for decision.

It was noted that wherever possible the Council had sought to restrain annual charge increases and Rotherham rents still ranked as some of the lowest in the country. Since 2002/03 DCLG had, however, required all local authorities to use a prescribed formula to calculate each tenants rent and to apply annual increases to actual rents to achieve the Formula Rent (Formula Rent was the rent set under rent restructuring). The formula rent from April 2015 had been revised and would now be linked to Consumer Price Index (CPI) which was consistent with other inflation measures used in policy by the Government including benefits and pensions. Applying this new formula for 2015/16 produced an average rent increase for Council tenants of 2.2%.

The Government expected that all similar properties in the same local area would have equitable rent levels, even if properties were owned by different social landlords. This process was known as 'rent convergence'. The Government set a target for authorities to achieve rent convergence by 2015/16. However, changes to the rent formula had removed the flexibility to increase rents by an additional £2 above the increase in formula rent where rent was below convergence, therefore, 2014/15 was the final year to achieve full convergence. Rents in Rotherham would not have reached full convergence.

The average rent for 2014/15 was £72.79 over 52 weeks. The proposed 2015/16 average weekly rent using the new Government formula, collected over 52 weeks would rise to £74.39, an average increase of £1.60 per week.

Total housing rent income generated through the proposed revised weekly rents was estimated to be £79.558m in 2015/16 assuming 120 Right to Buy sales, and voids and rent adjustments at 1.8%.

The Council completed the building of 132 new energy efficient properties in 2011/12. For these dwellings, the funding model assumed that rents would be aligned to the Council's existing rent structure based on these dwellings having a higher property value (than existing stock). These rents were assumed to be fully converged and were, therefore, set higher than those of the existing Council stock. Consequently the proposed average rent to be charged across these properties would be £96.40 over 52 weeks based on the new rent formula an increase of £1.93 per week.

Councillor Whelbourn, in considering the detail provided, expressed his concern at how rents for two similar properties could be different following tenant turnover and was advised that this was a recommended approach by Government following a property becoming vacant.

Councillor Ellis asked if any penalties could be imposed by the Government for not reaching convergence following the revising to the formulae and it was pointed out that the purpose of self financing determination was to give local authorities the resources, incentives and flexibility they needed to manage their own housing stock for the long term and give tenants greater transparency and accountability as to how the rent collected was spent on the services provided.

Councillor Ellis also asked if the thirty year business plan detailed any further strategic acquisitions to add to the Council house stock or if there was any way the new properties could be exempt from the right to buy scheme.

The Director of Housing and Neighbourhoods confirmed the receipt of two right to buy applications, but the conditions of sale were such that the capital expenditure on properties were to be recouped within a set timeline. Rotherham had not considered any options to transfer its housing stock to a housing trust like the model used in Selby, but it may well be something to consider for the future.

Councillor McNeely pointed out that the shortfall in housing rent could significantly alter/affect the thirty year business plan and was informed that the thirty year business plan had been refreshed to take into account the changes to the rent formula and investment plans to give indicative income and expenditure for the short, medium and long term. Key to the original Business Plan was the requirement to ensure that rents converge by the Government's target by 2015/16 and increase in line with national guidelines. Changes to the formula rent from April 2015 would mean that the Council would now not meet rent convergence which would result in lower levels of income and, therefore, impact on the investment plans within the HRA Business Plan.

Due to historical decisions to limit rent increases, Rotherham's rents were not scheduled to reach full convergence until 2016/17 on the existing formula. Under the new formula, Rotherham would receive approximately £4m less income than planned under the convergence process. This shortfall would obviously be compounded over future years within the 30 year Business Plan, and would have a significant effect on the previously predicted surpluses within the plan. Government guidance stated that where properties have not reached formula rent by April 2015 it was expected that the rent is moved up to formula rent when the property was re-let following vacancy. On average 1800 properties were re-let each year, adopting this policy would generate additional income of approximately £172k in 2015/16 and the Council were keen to look at this.

Councillor Reeder also asked about the right to buy rules for new properties and was informed that any tenant had the right to submit an application. There were no plans to buy back former Council houses from former tenants.

Resolved:- That the recommendations to the Cabinet Member on Monday, 12th January, 2015 be noted:-

- An average dwelling rent increase of 2.2% in accordance with Central Governments (DCLG) Rent Formula which results in an average increase of £1.60 per week collected over 52 weeks.
- An average rent of £96.40 for new build (energy efficient) council properties.
- That rents are set at formula rent when the property is re-let after vacancy.
- An increase in line with the Consumer Price Index of 1.2% for garage rents, communal facilities and the cooking gas charge.
- Note the draft Housing Revenue Account Budget for 2015/16.

(Councillors Currie Cutts, Ellis, McNeely, Reeder, Sharman, Wallis, Whelbourn and Wyatt declared personal interests on the grounds that they were or had family or friends who were Council tenants)

45. DISTRICT HEATING SCHEME CHARGES 2015-16

Consideration was given to a report presented by Dave Richmond, Director of Housing and Neighbourhood Services, and Mark Scarrott, Finance Manager, which detailed the proposed increase in charges for District Heating for 2015/16.

There were a range of heating schemes, but in general district heating charges were made up of two components, a weekly charge and a metered charge per kilowatt hour of heating used. Weekly charges for most schemes exceed the actual metered costs and hence 34% of all income received from weekly charges were returned to customers.

This report recommended an increase in kilowatt hour charges to more accurately reflect true costs. The impact of this on consumers of district heating was that some consumers would receive less of a rebate once actual personal charges have been calculated following individual meter readings.

The Chairman asked if there were any tenants suffering with fuel poverty and the Director of Housing and Neighbourhoods Services confirmed there were significant problems with rent and would come back with further information on this.

Resolved:- (1) That the recommendations to the Cabinet Member on Monday, 12th January, 2015 be noted:-

- That there be no increase in the weekly charge for a further year.
- That the various proposed increases to the kilowatt hour charges outlined in Section 7 of this report be approved as a means of achieving full cost recovery.

- That to assist tenants, increases in the kilowatt hour charge be phased, as agreed at Cabinet on 16th January, 2013 (Minute C131(3)) and be achieved by 2016/17.

(2) That further information be provided on the fuel poverty/rent difficulties being experienced by some Council tenants.

46. DATE AND TIME OF NEXT MEETING

Resolved:- That the next meeting of the Self-Regulation Select Commission take place on Thursday, 19th February, 2015, at 3.30 p.m. at the Town Hall.