

Executive – 24 June 2010

Present: Councillor Williams (Chairman)
Councillors Cavill, Mrs Court-Stenning, Edwards, Hall, Hayward and Mrs Herbert

Officers: Penny James (Chief Executive), Tonya Meers (Legal and Democratic Services Manager), Maggie Hammond (Strategic Finance and Section 151 Officer), Paul Rayson (Cemeteries and Crematorium Manager), Tim Burton (Growth and Development Manager), James Barrah (Community Services Manager), Stephen Boland (Housing Services Lead), Martin Price (Tenant Empowerment Manager) and Richard Bryant (Democratic Services Manager).

Also present: Councillors Mrs Allgrove, Bishop, Brooks, Coles, Mrs Copley, Critchard, Denington, Farbahi, Mrs Floyd, Gaines, Guerrier, Henley, C Hill, House, Miss James, R Lees, McMahan, Meikle, Morrell, Mullins, Murphy, O'Brien, Paul, Prior-Sankey, Slattery, Mrs Smith, P Smith, Mrs Stock-Williams, Stuart-Thorn, Thorne, Watson, Mrs Waymouth, Ms Webber, A Wedderkopp, D Wedderkopp, Mrs Whitmarsh and Mrs Wilson.
Mr Robin Tebbutt, Executive Director (Finance), Housing Quality Network and Mrs Anne Elder, Chairman of the Standards Committee.

(The meeting commenced at 6.15 pm.)

66. Apology

Councillor Mrs Lewin-Harris.

67. Declarations of Interest

Councillor Mrs Court-Stenning declared a personal interest as an employee of Somerset County Council. Councillor Coles declared a personal interest as a Director of Southwest One.

68. Review of Cemetery and Crematorium Fees and Charges

Considered report previously circulated, concerning proposed changes to some of the Cemetery and Crematorium Fees and Charges.

Discussions had recently taken place with local funeral directors about the service provided by the Council. A number of improvements had been identified, most of which should result in an increase in the use of the Crematorium.

The areas of change were:-

- (a) Removal of the 4 pm surcharge to help the service become more competitive;
- (b) The introduction of three early times for the delivery of the deceased at a reduced cremation fee without any form of service;
- (c) The removal of double burial fees for non-residents;
- (d) The reduction of the Saturday Cremation fee from £1,100 to £800;
- (e) The addition of a Saturday Burial fee when a Saturday burial is provided; and

(f) The reduction in the Additional Service Time fee.

The proposed changes would enable the service to become more competitive, offer a better service to the funeral directors and make better use of resources.

In addition it was predicted that the overall level of income could rise by as much as £13,000 per annum.

Resolved that Full Council be recommended to adopt the amendments to the Cemetery and Crematorium fees and charges outlined in the report.

69. **Revised Charges for Pre-Planning Advice**

Considered report previously circulated, concerning proposed revisions to charges made for pre-planning advice.

The Council had charged for providing pre-planning advice for a number of years. By seeking such advice, members of the public and developers were able to ascertain whether there was a likelihood of planning permission being granted. However this did not commit the Council to a subsequent decision if an application was submitted.

Noted that it was important the charges levied were not so high as to discourage engagement with the Council. The charges had traditionally been set with this in mind rather than to recover the full cost of providing the service. This remained the case with the following changes:-

Level 1 – Householder, Advertisement and Landscape advice. Tree Preservation Orders and Listed Buildings (in cases where planning permission was also required):-

Written Advice	-	£50 + VAT @ 17.5% = £58.75
Meeting with note	-	£70 + VAT @ 17.5% = £82.25

Level 2 – all other and Minor developments (for example less than 10 dwellings, 1000 sq ft industrial):-

Written Advice	-	£90 + VAT @ 17.5% = £105.75
Meeting with note	-	£130 + VAT @ 17.5% = £152.75

Level 3 – Major developments (for example more than 10 dwellings, 1,000 sq ft industrial):-

Written Advice	-	£160 + VAT @ 17.5% = £180.00
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Meetings for major applications (level 3) were currently charged at £75 + VAT per hour. However, it was felt that it would be fairer and easier to charge a flat rate as for other proposals. It was proposed to set this at £200 + VAT @ 17.5% which amounted to £235 in total.

No objections had been received from the Council's Planning Agents Forum on these proposals.

Resolved that Full Council be recommended to adopt the proposed changes to the charges relating to pre-application Planning advice.

60. **Housing Revenue Account Reform : Council Housing – A Real Future - Prospectus**

Submitted report previously circulated, concerning the proposed response to the consultation "Council Housing: A Real Future – Prospectus", which had been issued by the Department of Communities and Local Government (DCLG).

The Chairman introduced Mr Robin Tebbutt from the Housing Quality Network, who gave Members a detailed presentation on the DCLG's proposals.

Every Local Authority with Council housing had to maintain a Housing Revenue Account (HRA) which was a ring-fenced account. It could not therefore be subsidised by Council Tax or be used to keep Council Tax levels down.

The current HRA subsidy system was the national redistribution of revenue from Councils that were deemed to have surplus income to those Councils that were deemed to not have enough. The HRA subsidy was the difference between assessed rent and assessed expenditure.

The current subsidy supported a minority of Councils in servicing their historic housing debt. In 2010/2011, Taunton Deane Borough Council would be paying £6,000,000 to the Government in the form of 'negative subsidy'.

The Government did not pay out all the money it received. In the 2009/2010 financial year, the subsidy system nationally made a surplus amounting to £229,000,000. As well as this, the HRA subsidy system had a number of other serious faults, for example:-

- The annual nature of determinations, even under the three year spending review, made it difficult to undertake any serious long-term planning and develop housing investment strategies;
- It offered limited local autonomy; and
- The system had removed the clear link between rents paid and services provided locally.

The intention of the review being undertaken by the DCLG was aimed at dismantling the existing subsidy system and replacing it with a localised system of self-financing for all Councils. The Government's self-financing option, outlined in its consultation paper and prospectus, involved re-allocating the national housing debt by offering Local Authorities a debt settlement which they would then be responsible for servicing. A series of questions was set out in the prospectus upon which responses were sought.

The Housing Quality Network (HQN) had been asked to evaluate the potential impact of the proposal and it was suggested that if Taunton Deane opted to join the self financing system, it was likely the Council would be allocated additional debt of £86,000,000. The cost of servicing the debt would be ring-fenced to the HRA, but the need to pay £6,000,000 of negative HRA subsidy to the Government would be removed.

The figures provided were subject to confirmation as part of the next Government Spending Review and HQN had therefore advised that the Council's response should state that it was on the basis of the figures set out in the prospectus.

Reported that it was intended that self-financing in the future would be achieved by a one off financial arrangement that calculated the spending requirement for each Council. For Taunton Deane, the opening debt settlement was shown as £116,000,000. Councils could borrow up to the level in the settlement, which allowed for additional borrowing without forcing up overall public spending.

The only income assumed in the prospectus was rent and Councils would need to adhere to National Rent Policy. Housing Benefit would only be paid to the level commensurate with this policy.

Research had shown that nationally, the HRA system had been under-funding maintenance and management costs. Under the proposals, the Council would have an overall 12.9% increase in overall expenditure.

The Council had met the Decent Homes Standard, but there were a number of properties that still required 'decent homes work' at an estimated cost of £2,750,000. The prospectus acknowledged that the settlement would not address this backlog and that further analysis of this issue needed to be undertaken.

Under self-financing, Councils would retain 100% of capital receipts, with the expectation that 75% would be used for affordable housing and regeneration.

Debt would be allocated using the Subsidy Capital Financing Requirement which currently formed part of the subsidy system calculation:-

Amount of debt HRA can service under proposals	£116,294,00
Amount of debt currently recognised by subsidy	£30,585,000
Amount of additional 'settlement' debt under proposals	£85,709,000
Current actual HRA debt (2010/11)	£14,451,000
Actual HRA debt under proposals	£100,160,000

These figures would give Taunton Deane some leeway for further borrowing, however, rigorous testing would have to be carried out to ensure it could be afforded.

The prospectus asked if Councils were in favour of a self-financing HRA, or the continuation of the existing arrangements. The Government expected Councils to test the opening debt figure proposed under self-financing in a local business plan which reflected local information about actual income, spending needs and

borrowing costs. A number of factors would have an effect on the borrowing profile in these individual business plans, which included:-

- Interest rates on existing and new debt;
- Investment needs and the timing of this spend;
- The difference between current actual housing debt held by a Council and the level of debt supported by the subsidy system; and
- Capital receipts and any HRA reserves which could be used to supplement the revenue in the business plans.

On the basis of a £86,000,000 debt settlement, Taunton Deane would be in a position to repay it and would have scope for additional investment in the stock over the term of a plan. The responses to the questions set out in the prospectus had therefore been drafted on this basis.

The self-financing system had been considered by the Corporate Scrutiny Committee at its meeting on 17 June 2010 where it was felt the benefits of the Government's proposals outweighed the risks. The comments of the Tenant Services Management Board were also submitted.

Resolved that:-

- (a) the proposed responses to the Department of Communities and Local Government's Consultation Paper set out in the Appendix to these minutes be supported; and
- (b) Full Council be recommended to approve these responses.

61. **Executive Forward Plan**

Submitted for information the Forward Plan of the Executive over the next few months.

Resolved that the Forward Plan be noted.

(The meeting ended at 7.19 pm.)

Appendix

Council Housing: A Real Future

Consultation Response

Q1 What are your views on the proposed methodology for assessing income and spending needs under Self Financing and for valuing each council's business?

Our broad view is that the proposed methodology provides a reasonable approach for valuing the housing business. With the uplifts to management and maintenance and major repairs allowances and the proposed 6.5% discount rate, self financing will provide a basis for a viable HRA Business Plan.

Q2 What are your views on the proposals for financial, regulatory and accounting framework for self financing?

We support the proposal for local authorities to report on a separate housing balance sheet and to introduce a separation of the loans pool between the HRA and the General Fund for accounting purposes. This is on the proviso that in practice funds would be managed jointly so that the costs and income potential from our treasury decisions are not adversely affected by this change. This will have the advantage of making the results of investment decisions in the respective areas more transparent. However, we need to go through this in more detail and undertake due diligence in relation to the accounting.

We also welcome the further clarification of the accounting treatment of core, core plus and non-core services.

Whilst Taunton Deane Borough Council is already accounting for expenditure appropriately between the HRA and the General Fund, revised guidance on the operation of the HRA ring fence will improve comparability of actual costs between local authorities.

Q3 How much new supply could the settlement enable you to deliver, if combined with social housing grant?

We are cautiously optimistic that there may be scope for additional new supply, subject to effective running of our business plan for at least 4 years from the onset and the availability of land.

We have modelled a scheme based on 120 new units assuming a 30% grant rate from the Homes and Communities Agency over years 4 to 9 of our business plan and 80 new units assuming a 0% grant rate over years 4 to 9 of our business plan.

Q4 Do you favour a self-financing system for council housing or the continuation of a nationally redistributive subsidy system?

On the basis of the proposals Taunton Deane Borough Council favours a self-financing system.

Q5 Would you wish to proceed to early voluntary implementation of self-financing on the basis of the methodology and principles proposed in this document? Would

you be ready to implement self-financing in 2011/2012? If not, how much time do you think is required to prepare for implementation?

Moving to early voluntary implementation of self financing based upon the information currently provided is supported subject to obtaining full and acceptable financial details and resolution of the issues raised within our replies to the other consultation questions.

Implementation in 2011/2012 would be feasible subject to early receipt of final acceptable details from the government and conclusion of the financing arrangements.

The earliest possible confirmation, even if final implementation is delayed, or a clear statement that self financing on the basis of the proposals is going to happen, will allow us to secure the best terms on loans in the intervening period.

Q6 If you favour self-financing but do not wish to proceed on the basis of the proposals in this document, what are the reasons?

Taunton Deane Borough Council does favour self financing and would like to move to an early implementation of the system.