

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

At a meeting of the Scrutiny and Overview Committee held on
Thursday, 19 May 2005

PRESENT: Councillor MP Howell – Chairman
Councillor Mrs GJ Smith – Vice-Chairman

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| Councillors: | SJ Agnew | RE Barrett |
| | RF Bryant | NN Cathcart |
| | R Hall | JA Hockney |
| | HC Hurrell | MJ Mason |
| | DC McCraith | Mrs CAED Murfitt |
| | Mrs HM Smith | Dr SEK van de Ven |
| | DALG Wherrell | |

Councillors Mrs A Elsby, SGM Kindersley, RB Martlew, Dr JPR Orme, Mrs DP Roberts, RT Summerfield and Dr JR Williamson were in attendance, by invitation.

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| Officers: | Patrick Adams | Senior Democratic Services Officer |
| | Mike Clarkson | Internal Auditor |
| | Kari Greaves | Head of Shire Homes |
| | Steve Hampson | Housing and Environmental Services Director |
| | Greg Harlock | Finance and Resources Director |
| | Tim Wetherfield | Head of Policy and Communications |

1. APOLOGIES

Apologies for absence were received from Councillor DH Morgan.

2. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 21st April 2005 were agreed as a correct record, subject to the following amendments:

- Councillors SGM Kindersley and Mrs A Elsby were added to the list of those present.
- In Minute 6, third paragraph, “Shona” was corrected to “Solma”.

Minute 3 - Guide to the Voting System

It was understood that the installation engineers had not yet provided a definitive guide to the voting system. The Senior Democratic Services Officer was instructed to inform the company of the Committee’s displeasure in the amount of time it was taking to produce a guide.

Minute 3 - Grounds Maintenance Task and Finish Group

Councillor Mrs GJ Smith reported that the Group would meet shortly and they would discuss whether they should disband as it appeared unlikely that anything useful could be achieved in the near future. She concluded that the Group should reform in approximately a year’s time to assess the implementation of an initiative from the Government.

Minute 7 - Climate Change Group

Councillor NN Cathcart stated that, as expected, there had been an informal meeting to discuss climate change.

Minute 9 – Electronic Service Delivery

The Senior Democratic Services Officer was instructed to inform the ICT Advisory Group of the Committee's disappointment in the improved but still low performance on services delivered electronically (BV 157).

3. DECLARATIONS OF INTEREST

Councillor MP Howell declared a personal interest during discussion on item 7 as an employee of a Housing Association.

Councillor RT Summerfield declared a personal interest during discussion on item 8 as he receives a pension from Deloitte and Touche. It was understood that the Head of Legal Services had advised Councillor Summerfield that this constituted a personal interest in discussions involving internal audit but that he should declare a prejudicial interest on any discussions of a tender from Deloitte and Touche for the Council's contract for internal audit.

4. PUBLIC QUESTIONS

None.

5. DRAFT AGENDA PROGRAMME AND PROGRAMME OF KEY DECISIONS

The Chairman presented this item on the Committee's agenda programme and the Council's forward programme of key decisions. It was agreed that the items listed as being deferred from May and June should be removed from the agenda.

It was noted that June's meeting would focus on a service in the bottom quartile and the duplication indicated at July's meeting should be removed from the programme.

It was agreed that the report on the Waste Minimisation Best Value Review would be circulated to members as soon as it became available. The next available agenda would include an item on the review but the report would not be attached. This would allow the Committee to efficiently focus on any concerns, without dedicating a sizeable proportion of the meeting to discussing the review.

Councillor Mrs GJ Smith suggested that the following items should be included on the agenda programme:

- Survey of village facilities, to examine what progress had been made
- Scrutiny of the Council's lettings policy
- To review the Cost of the Freedom of Information Act to the Council – an update following the scrutiny in April

Councillor Mrs EM Hezell stated that there had been no volunteers to serve on a Lettings Policy Advisory Group. She suggested that the reason for the apparent Member apathy towards Advisory Groups needed to be investigated.

The Committee

AGREED

- a) To add the above items to the agenda programme;

- b) To evaluate all the issues that had been put on the agenda programme during 2004/05 at the next meeting in June and consider whether to include them in the 2005/06 programme.

The Committee **NOTED** the Committee's version of the Council's forward programme for May, which indicated how the programme had altered since April and listed the items that had been agreed at April's Cabinet without appearing on the forward programme. An explanation had been provided from the report writer detailing why the item had never appeared on the forward programme. It was agreed that this format was useful and should continue to appear in the agenda.

6. QUESTION AND ANSWER SESSION FOR THE HOUSING PORTFOLIO HOLDER

The Chairman introduced this item on questions to Councillor Mrs EM Heazell, the housing portfolio holder by inviting Members for supplementary questions on the answers that had already been circulated by e-mail.

Participation Groups for Tenants

Councillor Mrs Heazell stated that there were a number of residential groups in the district: three schemes in Cottenham, the Wadlow Group in Waterbeach, the Chalklands Group in Linton, the Vincent Close Group in Girton, the Hereward Close Group in Impington, St Audrey's Close Group in Histon, the Windmill Estate Group in Fulbourn and a group in Sawston.

It was understood that if housing stock were transferred to a housing association, tenants would still be encouraged to form Tenant Participation Groups as this would be a condition of transfer. This matter would be discussed in greater detail under the next agenda item.

Sheltered Housing

Councillor Mrs Heazell was pleased to report that a recent QAF assessment had upgraded the Council's sheltered housing service to four 'C's. The Chairman congratulated the staff involved in this achievement.

The Chairman advised Councillor JA Hockney to liaise with Councillor Mrs Heazell outside the meeting to discuss an individual case of a sheltered housing resident.

OT Assessments

Councillor Mrs GJ Smith expressed her concern over a lack of reassessments by Occupational Therapists (OT) following a delay in the provision of service. The Head of Shire Homes explained that the waiting time for an assessment depended on the work. The most straightforward and most common request for a shower alteration would be completed quickly. It was noted that the Primary Care Trust were employing extra staff to deal with the current backlog.

Neighbourhood Managers

Councillor Mrs Heazell stated that monitoring of neighbourhood manager teams was carried out and she had seen evidence that this was effective. The Housing and Environmental Services Director explained that it was more of a challenge to produce measurable targets for qualitative issues such as neighbourhood management than it was for quantitative issues such as repair completions.

Installation of Solar Panels on Council Houses

Concern was expressed at the modest number of solar panels installed in Council homes. Councillor Mrs Heazell explained that it took a long time to recoup installation

costs and the beneficiary would be the tenant and not the landlord. It was hoped that incentives could be offered to promote this scheme. It was suggested that a partnership with the City Council should be re-considered.

Homelessness

In response to questioning, Councillor Mrs Heazell stated that it was the aim of the Council to only put families into Bed and Breakfast accommodation in an emergency. She stated that the Council's homeless service had improved greatly since the Best Value review. The Housing and Environmental Services Director stated that by law families were not allowed to be in Bed and Breakfast accommodation for longer than six weeks. It was understood that family break up was the most common cause of homelessness.

7. UPDATE ON HOUSING OPTION APPRAISAL PROCESS

The Housing and Environmental Health Director introduced this item by giving a detailed presentation on the future housing options facing the Council. He explained that the Housing Options Working Group had finished discussing this issue and it would now be considered at June's Cabinet and Council.

Consultation by the Housing Options Working Group

Councillor Mrs DP Roberts suggested that the results of the recent consultation appeared to show that tenants had not been made properly aware of the service a housing association would be able to provide and had opted for the housing stock to remain in the Council's control due to fear of the unknown. Councillor Mrs Heazell stated that every attempt had been made to provide tenants with the adequate information but she could not guarantee that tenants would read the information.

The Committee shared the Housing Options Working Group's concerns regarding the low response from tenants but the Housing and Environmental Services Director predicted that the necessary 50% turnout would be achieved in an official stock transfer ballot on the basis of experience elsewhere. Councillor Mrs Roberts lamented the fact that the remit of the Housing Options Working Group had not included the need to provide a recommendation at the end of their deliberations.

Balloting Tenants

It was understood that the housing stock could not be transferred without a ballot of tenants. Over 50% of the tenants need to vote and of those who vote, 50% or more need to approve the transfer for this to be agreed. The pre ballot preparation would cost in the region of £750,000, with approximately two thirds of this cost being met by the Housing Revenue Account and the remaining third from the general fund. The Housing and Environmental Services Director stated that part of the £750,000 would include a pro-active attempt to encourage tenants to vote. He reminded the Committee that there was a large difference between the recent consultation exercise and an actual ballot of tenants. It was noted that if the Council did decide to ballot its tenants and they rejected transfer then the £750,000 would be irrecoverable. However, not all of the associated expenditure would be abortive as some of the investment would result in more up to date and meaningful management information; for example the £75,000 investment in the Stock Condition Survey.

Equity Share tenants were prohibited from voting and the Housing and Environmental Services Director had been asked by the HOW Group to write to the Office of the Deputy Prime Minister to complain about the inequity of this rule. The Equity Share tenants had been asked to give their views in the recent consultation by the Council on future housing options.

Financial Considerations

Councillor Mrs Roberts stated that in the past the transfer of housing stock had been rejected by this Council as it did not make financial sense. However, the Government's decision to take a proportion of the Council's capital receipts had to be taken into consideration along with the Council's current financial situation.

In response to questioning, the Finance and Resources Director explained that the transfer of housing stock could, indirectly, lead to a lower level of council tax. A transfer of housing stock would require the permission of the ODPM, who would probably insist on a substantial element of the associated capital receipts being re-invested in social housing. However, on the basis of the financial modelling prepared by the Council's Consultant, Tribal, and on the assumption that all receipts were invested rather than spent, the impact on the General Fund was such that over the following five year period a net inflow of funds in order of £5.4 million could be expected. For ease of understanding, the Finance and Resources Director explained that if this additional income was to accrue evenly over the five years, at a rate of just over £1 million per annum, then this would equate to £20 per annum at Band "D" Taxpayer level.

In response to questioning The Housing and Environmental Services Director explained that tenants, as with most people, now had higher expectations and this led to higher maintenance costs for the Council. He added that all costs were estimated and it was hard to predict when items would need to be replaced. However, under the current rules it appeared unlikely that the Council would be able to meet the revenue cost of the housing stock indefinitely. He concluded that it could prove difficult to continue to provide the service in 5-6 six years time.

Councillor Mrs A Elsby lamented the loss of the Local Authority Social Housing Grants at such short notice and praised the Council for its delivery of quality housing for its tenants.

The Process for a Stock Transfer

The Housing and Environmental Services Director explained that there were three steps to transferring the Council's housing stock. Firstly the ODPM would have to approve the Council's proposal to transfer its housing stock. Secondly the Secretary of State would need to be satisfied that the existing tenants supported a transfer. Thirdly the Council would need to agree the transfer. He added that the Council would need to be satisfied that the new landlord would maintain the Council's current agreements. This would include negotiations with a future landlord about the division of future preserved Right to Buy receipts as opposed to the 25% which the Council will receive from 2007/08 under receipts pooling if it retains its housing.

The Housing and Environmental Services Director stated that if the decision was taken to transfer the stock then the Council would have to decide whether to set up a new local association or whether it wished to invite existing associations to take over the stock. The successful housing association would have to comply with a set of criteria including the decent homes standard.

In response to a question from Councillor RB Martlew, the Housing and Environmental Services Director explained that in the event of a stock transfer the majority of the Council's housing officers would be likely to be employed by the new housing association, so in the short term there would be no change in the officers that tenants were dealing with following a stock transfer.

The Housing and Environmental Services Director confirmed that as the housing

association would not have to pay a proportion of rent to the Government, it would receive more rental income than the Council. Part of this would be used to service loans which would fund the investment programme. If the transfer of stock was agreed there would follow a period of 6-9 months of intense negotiation to inform the new association's business plan.

Consultation

The Housing and Environmental Services Director stated that the Housing Options Working Group had consulted with other local authorities, including Colchester Borough Council who had set up an Arms Length Management Organisation or ALMO.

The Committee was clearly divided on this subject with the following comments being made in favour of a stock transfer:

- There were successful precedents for stock transfers by other public bodies.
- The Government's policy made a stock transfer the only sensible option.

However, the following comments were made against a stock transfer:

- There was no guarantee that a housing association would be able to maintain the same standards as the Council.
- Council tenants had an 82% satisfaction rating with this authority, but this rating would inevitably drop if the stock were transferred.
- The Council has invested heavily in its housing stock and the projected costs looked pessimistic
- The consultation was biased in favour of a stock transfer.

The Committee requested that Cabinet and Council pay particular attention to the low tenant turn out achieved through the consultation by the HOW Group and ensure that a meaningful consultation form the part of any balloting process.

8. DIRECT LABOUR ORGANISATION

The Housing and Environmental Services Director introduced this item by giving a presentation on the Direct Labour Organisation (DLO). He detailed the extent of the operating deficit and concluded that it had been caused by a number of factors. While customer satisfaction had been maintained operational and financial management had been inadequate. There had been no evidence of fraud, and the DLO recovery team had instigated changes. He concluded that there were four options for the future:

- Maintain the in-house DLO, but expand its business base to make it viable.
- Enter into a public-private partnership, insourcing private sector management
- Develop a partnership with the Council's other existing repairs contractor, City Services
- Retender the contract.

The Housing and Environmental Services Director explained that if the DLO had not been awarded the contract in 2004 the Council would have incurred higher costs from an external contractor. He also reminded the Committee that the diminishing HRA repairs budget threatened the DLO's future viability, suggesting that responsive repairs could not remain the DLO's primary source of income. He concluded that it would be wrong to give preference to any of the options prior to detailed evaluation.

Improvement in Service

It was noted that tenant satisfaction had improved from 68% to a current figure of 94%. The prices for work had remained the same and the challenge was to deliver the service for the same price.

Councillor Martlew stated that he was reassured that no fraud had been discovered in the DLO operating deficit, which had been caused by error not by design. He stated that the Council had far more influence over response repairs by keeping the service in-house and he hoped that the service would not be contracted out. He suggested that the service could be combined with that of the City Council if necessary.

Staff Sickness

The Chairman suggested that the long-term sickness of DLO staff be examined. Councillor Hockney expressed concern at the apparent discrepancy between the figures for DLO staff sickness in the Cabinet reports of 13th January and those in the report on 14th April 2005. Councillor Summerfield explained that the Council's long-term sickness had reduced and the figures for sickness were cumulative throughout the year and this might explain the apparent contradiction. It was agreed that the Committee should be e-mailed an explanation of this apparent discrepancy.

Internal Audit

Councillor Mrs Roberts expressed her disappointment at the events leading up to the revelation of the deficit to the DLO in November 2004. She suggested that Internal Audit could have done more to warn the Council of potential problems with the DLO.

The Finance and Resources Director reported that approximately a year ago the Commercial Services department had been in transition. The former Commercial Services Director had begun a series of structural, organisational, changes in anticipation of the removal of the hard client / contractor split established in the former CCT environment, in anticipation of a new era which would see work directly allocated to the DLO, without recourse to competition. As a result of this transition towards adopting the Egan principles, the Finance and Resources Director had become concerned that key posts had been removed and that staffing levels had been reduced such that the Department's financial and administrative procedures could be at risk of failure. If it became necessary at a later stage for the Commercial Services Department to submit a tender for any of the range of activities and services presently provided, the Finance and Resources Director was concerned that they may not any longer possess the necessary skills to do so. To fulfil his Section 151 obligations the Finance and Resources Director had asked Internal Audit to examine the related affairs of the Department. Internal Audit's subsequent report gave a "substantial" assurance. Related recommendations, with a view to improving financial control, were subsequently implemented.

Mike Clarkson from Internal Audit reported that Commercial Services had shown a deficit in 2003/04. The Internal Audit report highlighted a risk of poor budgeting and the fact that procedures in place were not making full use of the new Financial Management Systems, which meant that decisions could be taken on incorrect information. Recommendations were made to address these deficiencies and assurances were made by officers that they would be complied with. Mr Clarkson stated that in hindsight internal audit should have given a "limited" not a "substantial" assurance.

The Chairman suggested that internal audit objectivity had suffered as a result of being too close to the Council. Concern was expressed that internal audit had not examined the DLO since June 2004. Mr Clarkson countered that internal audit had highlighted the pertinent issues and as they had not been asked to examine the DLO tender they had not done so. It was agreed that the Audit Panel would be the most appropriate forum to discuss this matter further.

The Director of Housing and Environmental Services reported that the managerial team for the DLO had been strengthened.

Members of the Committee made the following suggestions:

- The service should be combined with that of the City Council to make it viable.
- The effect of the move from Oakington to Waterbeach on the DLO should be examined
- Clear improvements should be made before any retendering process.

In response to concerns about supplies, the Director of Housing and Environmental Services explained that the aim was to finish all jobs in one visit, although this was not always possible.

The Committee expressed concern regarding the deficit. It was suggested that the accounts at the DLO should have been carefully examined monthly as that was a standard accounting procedure.

The Committee

AGREED to pass this issue to the Audit Panel for greater investigation.

9. TO NOTE THE DATES OF FUTURE MEETINGS

Annual Council will appoint the Committee for 2005/06 on Thursday 26th May. The new Committee will meet on the following dates:

2005: 16th June, 21st July, 18th August, 15th September, 20th October, 17th November and 15th December;

2006: 19th January, 16th February, 16th March, 20th April & 18th May.

All meetings are scheduled for a 2.00pm start.

The Meeting ended at 6.05 p.m.
