

Report to Housing Select Committee

Date of meeting: 10 November 2015

Portfolio: Housing – Cllr D. Stallan

**Subject: HRA Financial Plan – Half-Yearly Update
(Future options resulting from required rent reductions)**

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rent reductions

Key

Recommendations:

- (1) That the commissioning of a report by CIH Consultancy on the options available to the Council to ensure that its HRA does not fall into deficit - following the inclusion of a requirement within the Welfare Reform and Work Bill that all social landlords must reduce their rents by 1% per annum for four years (instead of increasing their rents by CPI + 1% in accordance with previous Government guidance) - instead of the usual Six-Month Review of the HRA Financial Plan be noted;**
- (2) That report from CIH Consultancy on the options available for the Council's HRA Financial Plan (attached as an Appendix), and the decisions of the Finance and Performance Management Cabinet Committee following its consideration of the report, be noted; and**
- (3) That the Select Committee adds to its Work Programme for 2016/17 consideration of the planned further review of the options for the HRA Financial Plan, prior to further consideration by the Finance and Performance Management Cabinet Committee in 2016.**

Background

1. At its meeting in March 2015, the Housing Scrutiny Panel considered the draft HRA Business Plan for 2015/16 and recommended its adoption to the Housing Portfolio Holder, which was subsequently approved. An important part of the HRA Business Plan is the HRA Financial Plan, which sets out the anticipated HRA income and expenditure over the next 30 years.

2. The Cabinet has previously asked the Housing Select Committee to review updates to the HRA Financial Plan twice each year, at its scheduled meetings in October and March. In addition, senior Housing and Finance officers also formally review the Financial Plan in July and January each year too.

3. CIH Consultancy are currently the Council's HRA Business Planning Consultants. Officers received and considered CIH Consultancy's Quarter 1 Review Report in July 2015. Usually, CIH Consultancy would undertake its Six-Month (Quarter 2) Review of the current HRA Financial Plan in October 2015, taking account of the Council's current financial position

and national and local policies, and provide an Update Report for consideration by the Select Committee.

4. However, as part of the Chancellor's Summer Budget in July 2015, it was announced that all social landlords (councils and housing associations) must reduce their rents by 1% per annum for four years, instead of increasing their rents by CPI + 1% in accordance with previous Government guidance. This requirement has now been included within the Welfare Reform and Work Bill.

5. CIH Consultancy have assessed that the estimated loss in rental income to the Council's Housing Revenue Account (HRA) will be around £14million over the next four years and around £228million over the next 30 years (compared to the Council's current HRA Financial Plan expectations).

6. In view of this significant reduction in rental income, instead of providing a Quarter 2 Update Report, CIH Consultancy was commissioned to provide a report on the options available to the Council to ensure that its HRA does not fall into deficit, which was considered by the Finance and Performance Management Cabinet Committee at its meeting on 17th September 2015.

7. Therefore, it is suggested that in the absence of the usual Quarter 2 Update Report, the Select Committee considers the report from CIH Consultancy on the options available to ensure that the HRA does not fall into deficit and notes the decisions of the Finance and Performance Management Cabinet Committee from its 17th September meeting - including the Cabinet Committee's decision that, in order to inform a further review of the options in 2016, a further Options Report be provided by CIH Consultancy at that time, and that the Housing Select Committee and the Tenants and Leaseholders Federation be consulted for their views on the options, prior to consideration by the Cabinet Committee.

CIH Consultancy's Options Report on the Council's HRA Financial Plan

8. CIH Consultancy's report is attached as an Appendix. As can be seen, the report identifies a number of options available to the Council to recast its HRA Financial Plan for the future, including:

- Ceasing all or some of the funding currently available within the Financial Plan for future housing improvements and service enhancements for HRA services;
- Reducing investment in improvements to the Council's housing stock (and reducing the Council's Modern Home Standard accordingly);
- Reducing/ceasing the Council's own Housebuilding Programme;
- Further borrowing for the HRA, repaid by the end of the Financial Plan period;
- Combinations of the above.

9. The report also identifies some future financial challenges for local authority HRAs, which cannot currently be quantified. The most significant potential financial effect on the Council's HRA is the Government's proposal to encourage local authorities (but not housing associations) to sell "high value" void properties, primarily in order to fund the Government's proposal to introduce a voluntary scheme for housing associations to give the majority of their tenants the Right to Buy. It should be noted that the CIH Consultancy report was produced in advance of the recent Housing and Planning Bill being published.

10. However, very little information is currently available on what constitutes a "high value" property, or the proposed arrangements; therefore it is not yet possible to assess the financial impact on the Council's HRA.

11. CIH Consultancy's Options Report identifies that, although decisions will need to be made within the near future, no immediate corrective action is required at present.

Housing Improvements and Service Enhancements Fund

12. However, in view of the need to reduce expenditure currently planned for the HRA in the long term, and since this is likely to involve a reduction in the resources available to the HRA's Housing Improvements and Service Enhancements Fund over the next 30 years, the Housing Portfolio Holder recommended to the Cabinet Committee that most of the £702,000 uncommitted funding within the HRA's Housing Improvements and Service Enhancements Fund for 2016/17 not be allocated/spent at present. There were four suggested exceptions to this proposed moratorium, as follows.

(a) The Cabinet Committee noted that the HRA has funded a very successful **Garden Maintenance Scheme for Older and Vulnerable Tenants** (the "Mow and Grow" Scheme) operated by Voluntary Action Epping Forest (VAEF) since 2003. The service includes clearing and maintaining overgrown gardens - including lighter tasks, such as lawn cutting, hedge trimming and light weeding - with priority given to dealing with gardens that are unsafe and/or unusable and therefore hinder the tenant to enjoy the facility. Tenants are only included on the scheme if there is no-one physically able to carry out the work under the age of 70 years living at the property, or if they are disabled. All those applying are assessed by VAEF and are only included on the scheme if they genuinely cannot cope with their gardens and have no other means of maintaining them.

The Cabinet previously agreed that £20,000 per annum should be made available from the Fund for two further years, ending in March 2016, to supplement the HRA's existing ongoing funding of £20,000 per annum for the Scheme. In view of the success of the Scheme, and the benefits it brings for older and disabled tenants (as well as the difficulties that would be caused to the continuity of the service), the Housing Portfolio Holder recommended that the Fund continues to provide the additional £20,000 per annum towards the cost of the Scheme for a further two years (2016/17 and 2017/18).

(b) Since its inception in 2013, the Housing Improvements and Service Enhancements Fund has included an "**In-Year Fund**" of £50,000 per annum, for small improvements projects that may be identified during the course of the year by members and officers, instead of the improvements having to be delayed until the following year. Individual one-off projects costing in excess of £10,000 have to be formally authorised by Housing Portfolio Holder. This has proved very beneficial to tenants, so it was therefore recommended by the Housing Portfolio Holder that £50,000 per annum continues to be made available through the In-Year Fund, with the current approval arrangements applying.

(c) The Housing Improvements and Service Enhancements Fund has funded the **Citizens Advice Bureau (CAB) to appoint two Debt Advisors** for a period of 18 months, ending in March 2015. The Housing Portfolio Holder therefore recommended that funding of £42,000 from the Fund be made available in 2016/17 to enable the CAB to continue to appoint the two Debt Advisors for one further year.

(d) Over the last few years, the Housing Improvements and Service Enhancements Fund has accumulated £384,000 within its **Major Capital Projects Reserve**. The Cabinet previously decided to introduce the Reserve to enable resources to be accumulated and available when required for major capital housing projects, subject to the schemes having the approval of the Cabinet or Housing Portfolio Holder as appropriate. This was because no provision is made for major capital housing schemes within the HRA Financial Plan.

The need for major capital schemes has occurred from time-to-time, and has included the major improvement scheme at Springfields, Waltham Abbey, small scale stock transfers of sheltered housing schemes to housing associations to enable conversion and improvement works to be undertaken and the conversion scheme at Marden Close and Faversham Hall, Chigwell Row (currently on-site).

The Housing Portfolio Holder therefore recommended that the £384,000 already accumulated and held within the Housing Improvements and Service Enhancement Fund's Major Capital Projects Reserve be retained (but not increased) and made available for future HRA capital projects that are identified.

Decisions of the Finance and Performance Management Cabinet Committee

13. Having considered CIH Consultancy's Options Report, the Cabinet Committee made the following decisions:

(1) That no immediate corrective action be taken at present, and no decisions be made to re-cast the HRA Financial Plan, until further information becomes available on the effect of the Government's separate proposal to require local authorities to sell "high value" void properties;

(2) That the £702,000 uncommitted funding within the HRA's Housing Improvements and Service Enhancements Fund for 2016/17 not be spent at present, with the exception of:

(a) £20,000 per annum being made available for a further 2 years (2016/17 and 2017/18) to fund Voluntary Action Epping Forest (VAEF) to continue to provide the successful Mow and Grow Scheme for older and disabled Council tenants;

(b) £50,000 per annum continuing to be made available for the Housing Improvements and Service Enhancements In-Year Fund, to fund small improvements and enhancements identified during 2016/17, with the current approval arrangements applying; and

(c) In principle, £42,000 to be used in 2016/17 to fund the Citizens Advice Bureau (CAB) to extend the employment of its two existing Debt Advisers for a further year, subject to:

(i) The CAB Manager attending the Grant Aid Task and Finish Panel, in order to explain the use and outcomes of all the Council's grant funding to the CAB; and

(ii) The Cabinet Committee receive a further report, after the Task and Finish Panel Overview to consider whether or not the request for this additional grant funding should be approved.

(3) That the £384,000 already accumulated and held within the Housing Improvements and Service Enhancement Fund's Major Capital Projects Reserve be retained and made available for future HRA capital projects;

(4) That the Cabinet Committee reviews the HRA Financial Plan again in 2016, and makes decisions for the future at that time, once the financial implications for the Council of the Government's requirement for local authorities to sell "high value" void properties are known; and

(5) That, in order to inform the review in 2016, a further Options Report be provided by the Council's HRA Business Planning Consultants at that time, and that the Housing Select Committee and the Tenants and Leaseholders Federation be consulted for their views on the options, prior to consideration by the Cabinet Committee.