HOUSING BOARD held at COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN at 2.00pm on 10 JANUARY 2012

Present:- Councillor V Ranger – Chairman.
Councillors S Barker, J Loughlin, K Mackman, J Menell, D Morson and J Redfern.

Tenant Forum representatives: Mr D Parish and Mr S Sproul.

Officers in attendance: Maggie Cox (Democratic Services Officer), R Harborough (Director of Public Services), S Joyce (Assistant Chief Executive – Finance), Roz Millership (Assistant Director: Housing and Environmental Services), J Snares (Housing Options/Homelessness Manager), Sophie Robinson (Housing Enabling and Development Officer) and S Wood (Housing Strategy and Planning Policy Manager).

HB35 **APOLOGIES AND DECLARATIONS OF INTEREST**

An apology for absence was received from Councillor J Freeman.

Councillor Ranger declared a personal interest as a council tenant.

HB36 **MINUTES**

The minutes of the meeting held on 23 November 2011 were signed by the Chairman as a correct record subject to the following amendments

Minute HB33 - The Task Group should be named the Mead Court Task Group and the membership should include Sam Sproul from the Tenant's Forum.

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HB37 **BUSINESS ARISING**

i) Minute HB29 – Solar PV Panels

It was reported that the eco house at Wendens Ambo was nearing completion and would shortly be advertised. The Tenants' Forum and Housing Board members would be invited to view the property before it was allocated.

ii) Minute HB27 – HRA Business Plan

The consultation on the changes to the right to buy scheme had recently been published. The document would be considered at the next meeting of the Board when members' would have the opportunity to add their comments to the consultation response.

HB38 **HRA 30 YEAR BUSINESS PLAN UPDATE**

i) Garden reductions

At the last meeting members had asked for a report on the development potential of sites within Council property gardens to provide additional affordable properties. These garden sites had become available when a Council property on a large plot became vacant and the garden had been reduced within the new tenancy.

13 sites with development potential had been identified which could provide between 24 and 28 properties, subject to planning permission. Funding to develop these properties has been based on a build cost of £1,000 per SqM. There was scope within the HRA business plan to fund a modest Council house development programme of up to 6 properties per year at a cost of approximately £0.6m.

It was confirmed that these identified sites could be made available for development at any time and David Parish confirmed that the Tenants' Forum supported this initiative. Members asked for details of the location of these sites to be provided for the next meeting.

Additional plots had been identified but until those properties become vacant, they could not be considered further. For small plots consideration could be given to selling land for a capital receipt which could be used to fund other housing projects. Officers would also look at the potential of developing underused Council owned garage sites to provide additional affordable housing.

ii) The draft HRA Business Plan

The Board had received the first draft of the 30 year business plan, The plan would set out the Council's overall aims and objectives for the housing service. It would examine the current position and estimate the money that that would be needed over the next 30 years to manage the housing stock and ensure that it was properly maintained. It included the 5 year plan for capital investment and maintenance and for service development and improvements. It also outlined the main policies and plans for council housing and identified options for additional investment as resources became available.

The plan did not include detailed financial forecasts at this stage as the consultants report had only recently been received. Members were however asked to forward any comments on the detailed text to the Assistant Director Housing and Environmental Services.

(iii) Funding Strategy

The Assistant Chief Executive – Finance reminded the Board that on 28 March 2012 the Council would be required to borrow £88.7m under the new self financing regime. In preparing for this the Council had sought expert advice. The report which had just been received set out a financial model based on the requirements that had been expressed by members at the last meeting.

- The loan should be repaid within the 30 year period.
- To maximise the amount of money available for the first five years in order to fund new projects.

When preparing the report the consultant had looked at 3 options for servicing the loan. The first was to pay off the loan as quickly as possible, and although this would be the lowest cost over the 30 years there would be no surplus available until year 19 or 20. Option 2 was to pay a fixed term amount over the 30 years which would give maximum stability and predictability but would be the highest cost option. The third option, was more in line with the expressed priorities and would delay the actual payment of the loan in order to maximise revenue in the first few years, but would also maintain flexibility to avoid spikes in payments and would have predictable level of payments. This option would be used to prepare the funding strategy.

The report had estimated a lower level of interest than had previously been assumed, at just over 3%. It had also been assumed that the Council would take out a proportion of the loan (22%) at a variable rate (lower rate of interest) and the rest of the loan at a fixed rate.

The figures in the model were based on the loan not being physically repaid until year 10. The effect of this would be as follows

- Year 1 – a surplus revenue of between £2.3m - £2.8m depending on the proportion of the loan that was at a fixed or variable rate.

However in order to even out the payments it was suggested that £1m each year should be placed in reserves to cover the amount of the repayment.

- This remaining surplus revenue available to spend would be in the region of £1.3m - £1.8m per year.

It was confirmed that the £1.3m – 1.8m per year would continue for the 10 years, but could well increase within that period as rent levels rose and more properties came on board.

Councillor Loughlin questioned the rationale behind placing the £1m in reserves at a time of low interest rates. The Assistant Chief Executive – Finance advised that it was still considered to be prudent to put this money aside to avoid future peaks in expenditure. He could prepare a model based on paying back the loan after 5 years to see how this would affect the figures.

Councillor Redfern asked whether the £1m could be used to pay off the loan at an earlier date rather than placing that sum in reserves. The Assistant Chief Executive – Finance thought that the PWLB might set a minimum loan length, but even if it was possible a shorter loan period might place a constraint on the type of loan that was available or the interest could be charged a higher rate. However paying off the loan earlier would raise the amount that could be borrowed against the debt cap and he thought it might be worthwhile researching this option.

Members had varying opinions on how the loan should be serviced in terms of the percentage of fixed or variable interest payments. It was explained that although a fixed rate loan was predictable it would offer less flexibility to alter its terms in response to changing circumstances. The consultant's opinion was that interest rates were unlikely to rise substantially in the next few years and it would be sensible to take an element of risk in order to achieve substantial cost savings in first few years. The current model showed the percentage of variable loan at about 22% and members asked if figures could be prepared based on a lower percentage of around 10%.

The final version of the financial model would be brought back to this group in January before being approved by Cabinet and Council as part of the budget setting process. By the next meeting the final debt settlement should be known and the figures could be adjusted accordingly.

The financial information prepared for the next meeting would include the following:

- The final figures based on the consultant's financial model.
- A model based on the loan repayment commencing after 5 years.
- A model showing the effect of using the £1m surplus to repay the loan at an earlier date.
- A model showing the effect of reducing the percentage of the variable rate loan.

(iii) Spending priorities

The Business Plan would include the Council's spending priorities and proposals for the use of the revenue surplus. The Board had previously expressed a general desire to use the surplus to fund new projects and earlier in the meeting had supported a modest programme of house build at the approximate cost of £600,000.

The Board felt that options should also be considered that would address the issue of void properties, which tended to be flats mainly in the council's sheltered schemes. Redevelopment of these schemes would meet the strategic objectives of the Council to maximise the delivery of affordable housing across the district, and meet the demands of current housing need.

It was noted that the business plan assumed a right to buy of 6 units per year. It was necessary to put in place a building programme in order to maintain the level of the council's housing stock and also to generate income to ensure that the action plan remained viable, particularly if the Right to Buy (RTB) discounts became more attractive and lead to an increase in the number of house sales. The Assistant Director stressed the importance of maximising the Council's assets and to taking full advantage of the surplus. To that end the Council would be producing an Asset Management Strategy which would look at the value of council buildings, cost of maintenance and how they were used in order to get the best value for the land. This would assist with future planning.

Members agreed that the following should be included in the business plan

- Around £600k for a programme of development of Council built houses.
- An annual sum for the refurbishment/redevelopment of sheltered schemes.

(iv) Income

The Board considered the annual increase for garage rents, Lifeline, support and service charges. The Council's medium term financial strategy stated that charges would be increased in line with inflation and the most appropriate rate was CPI for September 2011.

Councillor Mackman was concerned about the proposed increase in lifeline charges and asked if the Council could subsidise this increase. It was explained that an increase was required as there had been a shortfall in funding from Supporting People and it would not be good practise to depart from the Council's agreed financial strategy.

> RECOMMENDED to Cabinet that garage rent, Lifeline, support and service charges be increased in line with the CPI rate of inflation for the year 2012/13

The Committee was advised of the work carried out by tenant forum members and officers to 'un-pool' service charges to tenants for common services provided to block of flats. These charges are eligible for rent rebate.

Calculations show an average service charge of £1.67 per week for general needs flats and include services such as cleaning, lighting and electricity.

Services charges for sheltered schemes were considerably higher, with a maximum calculated figure of £10.91 per week. This figure reflects the greater number of services provided, including door entry systems and laundry facilities, some of which were previously met from the supporting people grant before recent cuts. These charges could now be paid through housing benefit and would not affect those in receipt of benefits. It was suggested that assistance should be given to existing tenants that were not in receipt of housing benefit as they would not have expected to pay these charges when they accepted their tenancy. Currently approx 20% of sheltered tenants not in receipt of benefits would be affected. The service charge would be passed on to new tenants but the effect of this would continue to be monitored.

> RECOMMENDED that the Board agree with:
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> 1 The introduction of service charges for common services in general needs flats

2 The introduction of services charges for common services in sheltered accommodation and to fully subsidise these charges for existing sheltered tenants not in receipt of housing benefit.

HB39 **DATE OF NEXT MEETING**

The next meeting would be held on Tuesday 31 January at 2.00pm.

The meeting ended at 4.30pm.