

## ***Report to the Cabinet***

***Report reference:***           ***C-076-2013/14***

***Date of meeting:***           ***3 March 2014***



**Epping Forest  
District Council**

**Committee:**                   **Housing Scrutiny Panel**

**Subject:**                   **Housing Improvements & Service Enhancements Fund – 2014/15**

**Responsible Officer:**           **Alan Hall**                   **(01992 564004).**

**Democratic Services Officer:**   **Gary Woodhall**           **(01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) That the latest out-turn forecasts for each of the projects funded by the Housing Improvement and Service Enhancement Fund in 2013/14, provided at Appendix 1, be noted;**
- (2) That the associated expenditure for any slippages on individual projects in 2013/14 be carried forward to complete the projects in 2014/15;**
- (3) That, subject to the average Council rent increase agreed by full Council for 2014/15, and its decision on rent levels for re-let properties;**
  - (a) The proposed list of housing improvements and service enhancements for 2014/15, and the associated recommendations for each project, set-out in Appendix 2, be approved; and**
  - (b) The amount allocated from the Fund to the Major Capital Projects Reserve in 2014/15 be reduced from £850,000 to £200,000, due to:**
    - The required second year's funding for Marden Close and Faversham Hall (£508,000);**
    - The proposals being put forward at Appendix 2 for the allocation of resources from the Fund next year (see below); and**
    - The anticipated cessation of the Government's Rent Convergence Policy from April 2015;**
- (4) That the proposed £200,000 within the Major Capital Projects Reserve for 2014/15 be used to either help fund a capital project next year (subject to the subsequent approval of the Cabinet or Housing Portfolio Holder), or be added to the funding made available for the Major Projects Capital Reserve in the following year (2015/16), for a larger capital project at that time; and**
- (5) That, at its meeting in January 2015, the Housing Scrutiny Panel be asked to consider and recommend to the Cabinet the proposed use of the Housing Improvements and Service Enhancements Fund for 2015/16.**

## **Executive Summary:**

This report and our recommendations follow our meeting held on 22 January 2014.

When the Cabinet agreed the strategic approach for the Council's new 30-Year Housing Revenue Account (HRA) Financial Plan, it asked us to consider and recommend to the Cabinet a proposed list of housing improvements and service enhancements each year, utilising the additional funding made available as a result of HRA self-financing.

For the past two years, we have formulated lists of housing improvements and service enhancements, which have been subsequently approved by the Cabinet. An out-turn report on the forecast expenditure and the progress made on the projects agreed for 2013/14 is provided at Appendix 1.

When the Cabinet considered and approved the list of projects for 2013/14, it also asked us to consider and recommend further housing improvements and service enhancements to be undertaken in 2014/15, funded from the additional HRA resources available next year. Our proposals for the use of the anticipated £430,000 available for new projects next year, after the allocation of £200,000 to the Major Capital Projects Reserve in 2014/15 (subject to full Council agreeing the Cabinet's recommended rent increase for 2014/5) are provided in Appendix 2, with a summary of the costs provided at Appendix 3.

The amount of resources available to spend on new improvements and enhancements in 2014/15 and subsequent years is much less than anticipated this time last year - mainly due to the proposed cessation of the Government's Rent Convergence Policy from April 2015, which will significantly reduce the expected levels of rental income from 2015.

## **Reasons for Proposed Decision:**

Anticipated additional resources of £430,000 are being made available within the HRA Budget 2014/15, to spend on additional housing improvements and service enhancements in 2014/15, in addition to the allocation of £200,000 to the Major Capital Projects Reserve.

## **Other Options for Action:**

To agree a different list of improvements and service enhancements, or to allocate funding differently between the proposed schemes.

## **Report:**

1. This report and our recommendations follow the meeting of the Housing Scrutiny Panel held on 22 January 2014, and our consideration of a detailed report from the Director of Housing on:

- The anticipated out-turns of expenditure for housing improvements and service enhancements agreed for 2013/14 - for both individual projects and the programme as a whole; and
- The recommended use of the Housing Improvements and Service Enhancements Fund for 2014/15.

2. At its meeting in December 2011, the Cabinet approved the strategic approach to the new 30-Year HRA Financial Plan, in readiness for the introduction of self-financing for the HRA from April 2012. The approach agreed was to plan the repayment of the required loans to the Public Works Loan Board (PWLB) - to be taken out to fund the Department of Communities & Local

Government's (DCLG) required debt settlement - over a 30-year period. This was to enable the Council to not only maintain the Council's housing stock to a new Modern Home Standard and implement a new Council Housebuilding Programme, but to also fund additional housing improvements and service improvements over the 30-year life of the Plan.

3. For the past two years, the Cabinet has asked the Housing Scrutiny Panel to consider and recommend a proposed list of housing improvements and service enhancements to the Cabinet, utilising the additional funding, which we last did in April 2013. The lists of improvements have comprised a mix of capital and revenue projects, requiring both one-off expenditure over 1-2 years and ongoing annual expenditure, which have focused on proposals that would provide a direct and demonstrable benefit to the Council's tenants.

4. At the same time as agreeing our proposals for 2013/14, the Cabinet also asked the Housing Scrutiny Panel to consider and recommend to the Cabinet at this meeting our proposed use of the Housing Improvements and Service Enhancements Fund for 2014/15.

#### Housing Improvements and Service Improvements Fund

5. The estimated amount available to the Housing Improvements and Service Improvements Fund each year is, in effect, a balancing figure for the Housing Revenue Account (HRA) as a whole, over the 30-year period of the HRA Financial Plan. So, if net costs within the HRA over the 30 years are higher than previously forecast (or if income is lower), the amount available for new projects under the Housing Improvements and Service Improvements Budget each year can be reduced.

6. Conversely, if net costs are lower (or if income is higher) the budget can be increased, in order to achieve the Council's prime strategic objectives for the HRA - which are to ensure that the PWLB loans can be repaid when they mature and that the HRA does not accrue balances (surpluses) that are higher than necessary, or falls into deficit.

7. Since housing-related income and expenditure is ring-fenced to the HRA, any annual HRA surpluses that are not required for any specific purpose therefore need to be spent, otherwise they simply result in increased HRA Balances – which is why the Housing Improvements and Service Improvements Fund was introduced from 2012/13.

8. The Fund operates in a similar way to the HRA's Housing Repairs Fund and the General Fund's District Development Fund (DDF) in that, each year, the HRA contributes an agreed amount to the Fund (based on the estimated surplus available through the HRA Financial Plan) and the Cabinet agrees the amount to be spent from the Fund on housing improvement and service enhancement projects in the following year. If there are any underspends on the Fund at the end of the year, they are carried forward into the following year; if there are any overspends (which would need to be funded from HRA Balances), the contribution from the HRA is reduced the following year by the total amount overspent. This approach gives greater flexibility, whilst still ensuring budgetary control.

#### Progress with the Housing Improvements and Service Enhancements Fund 2013/14 and Anticipated Outturns

9. Last year, the Cabinet agreed our recommendation that 5 new housing improvements and service enhancements be undertaken in 2013/14, in addition to the completion of a further 5 projects extending / carried forward into 2013/14.

10. Appendix 1 provides a list of the agreed improvements/enhancements for 2013/14, together with the original budget and the latest forecast expenditure for each project. The following summarises the budget position for the overall 2013/14 Programme:

Original budget - 2013/14	£810,000
Latest anticipated expenditure forecast - 2013/14	£503,000

11. We were pleased to hear that, generally, good progress has been made with the delivery of most of the projects during the year to date, although some of the Key Deliverables relating to the Repairs Management Contract with Mears have had to be carried forward to next year, for operational reasons.

12. Last year, on our recommendation, the Cabinet agreed to establish a Major Capital Projects Reserve within the Fund. The Reserve enables 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. The Cabinet made this decision because, although the HRA Financial Plan makes provision for increased capital expenditure on individual properties within the Council's housing stock - in order to ensure that they meet the full, modern standard (a higher standard than the Decent Homes Standard) - no provision is made for major capital housing schemes within the 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 recently-planned conversion schemes at Marden Close and Faversham Hall, Chigwell Row.

13. The Cabinet is asked to note that, due to the anticipated cessation of the Government's Rent Convergence Policy from April 2015, which will significantly reduce the expected levels of rental income from 2015 (see below), the only projects to be funded from the Major Capital Projects Reserve this year are the first year's funding of the Marden Close and Faversham Hall Conversion Schemes at Chigwell Row. This has resulted in a planned underspend of £226,000 in the Reserve this year.

14. Moreover, last year, the Fund also included allocations of funding to the Reserve of £850,000 per annum in both 2014/15 and 2015/16. However, having regard to:

- the required second year's funding for Marden Close/Faversham Hall (£508,000);
- our proposals being put forward for the allocation of resources from the Fund next year (see below); and
- the anticipated cessation of the Rent Convergence Policy from April 2015;

only £200,000 is now available to allocate from the Fund to the Reserve in 2014/15 (Note: the figure reported to our Scrutiny Panel was £247,000, but a further check of the resources within the Fund has established that £200,000 is the correct figure). This can be utilised to either help fund a capital project next year, or be added to available funding in the following year (2015/16) for a larger capital project at that time.

#### Availability of Funding for New Housing Improvements and Service Enhancements – 2014/15

15. We were advised at our meeting that, when the most recent HRA Financial Plan was produced in March 2013, it identified that £1.5million would become available for new and committed improvements/enhancements from April 2014 – on top of the £570,000 per annum available for new projects in April 2013. This forecast was subsequently reduced to £1.35million at the Quarter 2 Review of the HRA Financial Plan, which we considered at our meeting in October 2013, taking account of updated information - particularly the 2012/13 Out-turns and an assumed increased number of Right to Buy sales.

16. However, we heard at our meeting that, in late-October 2013, the Department for Communities and Local Government (DCLG) published its long-awaited Consultation Paper on the future of social rents, with a response date of 24 December 2013. We understand that the document included the following proposals:

- From April 2015, rents for existing tenancies will only be able to increase by the Consumer Prices Index (CPI) plus 1% per year (instead of the current Retail Prices Index (RPI) plus 0.5%), with no additional increase allowed (currently up to £2 per week) to achieve convergence with housing association rents for similar properties within the District;
- For new tenancies, the formula (or target) rent (i.e. the rent which housing associations currently charge for the same type of property in the same location) can be charged straight away when the new tenant moves in. Subsequently, such rents will also increase by CPI plus 1%; and
- Details of how such Council rent increases will be centrally-controlled through “rent rebate subsidy limitation” are still to be decided/published by the DCLG. This will be the way that the Government actually implements and ensures the above rents policy

17. The Cabinet will be aware that the DCLG’s proposal to cease the rent convergence arrangements from April 2015 will have a significant detrimental effect on the Council’s HRA Financial Plan, which will result in the amount of resources available to the Fund from April 2014 being significantly reduced.

18. Based on the Cabinet’s recommendation to the meeting of Full Council that average Council rents should increase by 4.1% and that vacant Council properties not currently at their target rent should be re-let at their target rent (and not at the same rent as charged to the previous tenant, or the tenants of similar properties in the locality) – on which we received a briefing earlier in our meeting - we were advised that the amount of reduction in rental income (and therefore funding for housing improvements and enhancements) as a result of the DCLG’s proposed cessation of its rent convergence policy is estimated to be around £500,000 per annum for the next five years (reducing the amount available to the Fund from £1.35 million p/a to just £850,000 p/a).

19. However, we were also advised that should, ultimately, the Council not agree that Council properties should be re-let at their target rent, the resultant rental income from such properties would be reduced by a further estimated average £250,000 per annum for the next five years. This would mean that the amount the HRA is able to contribute to the Housing Improvements and Service Enhancements Fund in 2014/15 would have to be reduced by £250,000, from £850,000 to just £600,000.

20. The Cabinet should note, though, that after taking into account the cost of previous commitments for improvements/enhancements in 2014/15, there is still an estimated £650,000 available in 2014/15 for new improvements and enhancements.

21. The following table summarises the position for the Housing Improvements and Service Enhancements Fund for 2014/15:

Expected HRA contribution to Fund – 2014/15	£850,000		
Savings from the Fund's 2012/13 Out-turn	£170,000		
Anticipated savings/slippage from 2013/14	£307,000		
<b>Total resources available to Fund in 2014/15</b>		1,327,000	
Amount required due to committed costs of 2013/14 projects (ongoing and one-off)		(£697,000)	
<b>Remaining resources available for 2014/15</b>			£630,000
Amount proposed to be allocated to the Major Capital Projects Reserve in 2014/15			(£200,000)
<b>Available to fund new projects in 2014/15</b>			£430,000

#### Proposals for the Use of the Housing Improvements and Service Enhancements Fund 2014/15

22. Following the recommendations of the Director of Housing and his Housing Management Team, we are recommending to the Cabinet the new projects listed at Appendix 2 for 2014/15. For each proposal, we have provided a description, together with details of the one-off and/or ongoing annual funding required, and whether the expenditure is capital and/or revenue. At the end of each proposal, our formal recommendation(s) are provided in bold.

23. Appendix 3 provides a spreadsheet with each of our proposals listed, summarising the one-off and ongoing expenditure for each of the next three financial years.

24. The Cabinet should note that, even after utilising all of the resources available to the Fund in 2014/15, there will still be a further £510,000 and £750,000 available to spend on new projects in the following two years (2015/16 and 2016/17), based on current forecasts. Furthermore, despite the Government's proposed cessation of its rent convergence policy from April 2015, it is currently estimated that the HRA's contribution to the Fund can be increased by £2.65million per annum to £3.45million per annum from April 2019.

25. We are therefore proposing a further recommendation to the Cabinet - that, at our meeting in January 2015, we consider and recommend to the Cabinet the use of the Housing Improvements and Service Enhancements Fund for 2015/16.

#### **Resource Implications:**

£430,000 available for new projects in 2014/15, after allocating £200,000 to the Major Capital Projects Reserve, included within the HRA Budget 2014/15.

#### **Legal and Governance Implications:**

Localism Act 2012  
Local Government and Housing Act 1989  
Housing Act 1985

#### **Safer, Cleaner and Greener Implications:**

(a) The proposed Oakwood Hill Estate Enhancements will result in an improved environment on the estate.

(b) The proposed increased budget for external wall insulation of Council properties will improve their energy efficiency.

(c) The proposed refurbishment of communal kitchens at sheltered housing schemes is likely to result in lower energy costs, due to the installation of more energy-efficient appliances.

- (d) The proposed continuation of the additional funding for the Mow and Grow Scheme, will result in improved gardens for those older and vulnerable people that benefit from the continued funding.
- (e) The proposed provision of scooter stores at sheltered housing schemes will result in a safer and more appropriate environment for residents to park their scooters than at present.
- (f) The proposed installation of new front doors to leasehold properties in flat blocks will result in a much safer building for residents, due to the improved fire safety.

**Consultation Undertaken:**

The Tenants and Leaseholders Federation was consulted on all of the proposals within our report, at its meeting scheduled for 16<sup>th</sup> January 2014. The Federation fully support our recommendations.

**Background Papers:**

None.

**Impact Assessments:**

Risk Management

The identified risks are the usual risks relating to improvement projects e.g. actual costs of works exceeding the agreed budget and health and safety issues.