

**EPPING FOREST DISTRICT COUNCIL
NOTES OF A MEETING OF HOUSING SCRUTINY STANDING PANEL
HELD ON MONDAY, 28 NOVEMBER 2011
IN COUNCIL CHAMBER, CIVIC OFFICES, HIGH STREET, EPPING
AT 7.00 - 9.25 PM**

Members Present: S Murray (Chairman), K Chana, Mrs A Grigg, Ms J Hart, D Stallan, H Ulkun, Mrs J H Whitehouse and D Wixley

Other members present: D Jacobs, K Angold-Stephens, R Bassett, C Finn, L Leonard, G Waller, Mrs R Gadsby, Mrs M McEwen, G Mohindra, J Philip, Mrs L Wagland, Ms R Brookes, B Rolfe, C Whitbread and J M Whitehouse

Apologies for Absence: A Mitchell MBE and Mrs S Jones

Officers Present D Macnab (Acting Chief Executive), A Hall (Director of Housing), P Pledger (Assistant Director (Property and Resources)), P Maddock (Assistant Director (Accountancy)), M Jenkins (Democratic Services Assistant) and A Hendry (Democratic Services Officer)

27. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meeting.

28. APOLOGIES FOR ABSENCE

In addition to the apologies noted above, apologies were also received in respect of Councillor Mrs S Watson, Deputy Portfolio Holder (Housing).

29. SUBSITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)

It was noted that Councillor D Wixley was a substitute member for Councillor Mrs R Brookes, and in respect to the Finance and Performance Management Scrutiny Standing Panel, Councillor C Finn was substituting for Councillor R Cohen.

30. DECLARATION OF INTERESTS

There were no declarations made pursuant to the Member's Code of Conduct.

31. TERMS OF REFERENCE

The Panel's Terms of Reference were noted.

32. HOUSING REVENUE ACCOUNT (HRA) FINANCIAL PLAN - CONSULTATION ON THE REPORT OF THE HOUSING PORTFOLIO HOLDER TO THE CABINET ON 5 DECEMBER 2011

The Panel received a report from Mr A Hall, the Director of Housing, regarding the HRA Financial Plan – Consultation on Strategic Approach.

In March 2012, the Government would be introducing a major change in the way that local authority Housing Revenue Accounts (HRAs) were funded, called Self-Financing. It was therefore necessary to agree the approach to be adopted for the Council's 30-Year HRA Financial Plan, which would be used to inform the treasury management options for borrowing the required finance. The Council would need to make a one-off payment to the Government of probably around £190 million, for which a substantial proportion would be borrowed.

There were two key aspects to this process from the Council's point of view. Firstly, it needed a well planned robust 30-Year Financial Plan for the HRA setting out all expected housing income and expenditure to meet the Council's housing objectives. Secondly, it needed to consider the treasury management options for borrowing the finance, in order to meet the cost of the payment to the CLG, and to ensure that the Council received the best terms.

The Council's Treasury Management advisers, Arlingclose, had provided advice to the Council on the effects of the HRA debt settlement on the Council's General Fund. This was noted as follows:

(a) The Council's balance sheet position was such that the Housing Revenue Account (HRA) was effectively lending the General Fund to fund an element of its unfinanced capital expenditure, this loan was in the region of £10 million;

(b) The adoption of debt resulting from the HRA Subsidy settlement would change the face of the Council's balance sheet but the GF position, in terms of requiring £10 million to fund this internal borrowing position would not change;

(c) The Council had worked with its treasury advisors modelling the impact of the HRA transaction on the Council's balance sheet position particularly in terms of the cost of this internal loan to the GF. The HRA could borrow £122 million from external sources and fund the balance of the transaction, around £58 million, from internal resources; and

(d) The GF would continue to fund the internal borrowing position at the current rate of interest and there would be no detriment to the GF, providing cash flow balances existed within the Council. Assuming the HRA took on an additional £10 million of external debt, this would maintain a cash position within the HRA which could be lent to the GF, this would have no negative impact on the GF. The GF might need to externalise its borrowing position at some point in the future.

The treasury advisors had stated that around £58 million from internal resources could be used to fund the debt settlement. This was one option open to the Council and may decide to change the amount of internal resources used. Within the model produced by CIHConsult, the Council's HRA Business Planning consultants, they had assumed £39 million of internal resources would be used which was the negative HRA CFR.

On the 5 December 2011, the Cabinet was scheduled to consider a report and recommendations of the Housing Portfolio Holder, together with an accompanying report from CIHConsult, on the proposed strategic approach to be taken to the HRA Financial Plan in readiness for the introduction of the Government's self-financing for the HRA from April 2012.

The Cabinet had previously suggested that both the Housing Scrutiny Standing Panel, and the Finance and Performance Management Scrutiny Standing Panel

should consider the issues and options and provide the Cabinet with their views before they make a decision. Present at the meeting by invite were the Finance and Performance Management Scrutiny Standing Panel members. The Tenants and Leaseholders Federation were meeting separately to consider these issues.

It was advised that the Cabinet had held an informal meeting with CIHConsult. The Panel noted that the final version of the report to the Cabinet may differ from that seen by the Panel.

In attendance at the meeting, was Mr S Smith from CIHConsult to present his report and answer member's questions.

It had been proposed to the Panel that it may be appropriate to apply the rent increase assumed by the Government within the Council's debt settlement, which would be an average rent increase of RPI plus 2.3% should be imposed on Council housing tenants for three years between April 2012 and April 2014 inclusive. This represented a 7.9% average rent increase in April 2012. However the panel felt that tenants would find this increase to be too hard, in many cases they were experiencing economic difficulties because of the recession. Therefore the Panel recommended a 6% average rent increase to the Cabinet.

The Chairman thanked Mr S Smith for his presentation and advice provided for the Panel. He added that he, the Chairman, would not be able to attend the Cabinet meeting on 5 December 2011 to present the Panel's report, therefore Councillor D Stallan had agreed to present this report on his behalf. This received the consent of the Panel.

RECOMMENDED:

That the following be recommended to the Cabinet:

(1) That the Housing Scrutiny Standing Panel supports the Housing Portfolio Holder's recommendations to the Cabinet;

(2) That, subject to the views of the Tenants and Leaseholders Federation, the general strategic approach for the HRA Financial Plan be as follows:

(a) That provision be made within the Financial Plan to fully maintain the Council's housing stock to a modern standard, based on current stock condition and standard industry life cycles, as opposed to maintaining the stock at the current minimum Decent Homes Standard;

(b) That, to achieve the District Council's aspirations to commence a new Council House Building Programme, provision be made within the Financial Plan to fund such a programme on the basis that individual development packages are self-funding, without any support or funding from the General Fund, subsidised, if necessary, from:

(i) Grant from the Homes and Communities Agency (HCA);

(ii) Section 106 Agreement contributions from developers in lieu of on-site affordable housing provision;

(iii) If allowed by the Government, the proceeds of Right to Buy (RTB) sales as a result of the Government's proposal to increase RTB discounts

whilst ensuring that a new affordable home is provided to replace the affordable home lost;

- (iv) Housing Revenue Account (HRA) surpluses; and/or
- (v) Cross-subsidy from the sale of other development sites within the Housebuilding Programme on the open market;

(c) That the Financial Plan assume an average rent increase of 6% from April 2012, with subsequent rent levels achieving convergence with average housing association rents by April 2017, accepting that this would:

(i) Require subsequent average rent increases of RPI plus 1.96% between April 2012 and April 2016 inclusive; and

(ii) Reduce the amount that could fund housing improvements and service enhancements to an estimated £770,000 per annum for the next 8 years from the £970,000 per annum that could be funded if rents were increased in April 2012 by the amount assumed by the Government for its proposed self-financing debt settlement for the Council (7.9%);

(d) Notwithstanding the provision for rent increases included within the Financial Plan, consideration be given each year during the HRA budget process, to the possibility and appropriateness of making a lower rent increase for the following year, having regard to the short and long term effects on the Financial Plan, the need to meet the Council's housing and financial objectives, Government guidance and the effects on tenants; and

(e) Provision be made within the Financial Plan to fund £1.4 million per annum for housing improvements and service enhancements, increased to £5.3 million per annum from Year 10;

(3) That the indicative HRA Financial Plan based on the assumptions outlined above, be adopted, and that the final version of the Financial Plan be adopted by the Cabinet on the 30 January 2012 or 12 March 2012, dependent on the date the final HRA debt settlement for the Council is confirmed by the Government;

(4) That, following consultation with the Tenants and Leaseholders Federation, the Cabinet be asked to consider a range of potential housing improvements and service enhancements that could be undertaken, funded from the additional £1.4 million per annum provision made within the Financial Plan;

(5) That a further report be submitted to the Cabinet by the Housing Portfolio Holder on the additional staffing requirements for delivering a full maintenance programme to a modern standard; and

(6) That the Council's Treasury Management advisers, Arlingclose, be asked to provide advice to the Council on the effects of the HRA debt settlement (if any) on the Council's General Fund.

33. FUTURE MEETINGS

The next programmed meeting of the Panel was scheduled for Tuesday 31 January 2012 at 5.30p.m. in Committee Room 1.