SWT TENANTS STRATEGIC GROUP

WEDNESDAY, 15TH JANUARY, 2020

Present: Alex Akhigbemen, Jessie Bunn, Dennis Galpin, Livvi Mongare and Ivor Hussey

Officers: James Barrah (Director, Housing) Stephen Boland (Housing Landlord Specialist), Kerry Prisco (Finance Specialist)

17 Apologies

Apologies were received from Kevin Hellier and Richard Hirsch

18 Notes from previous meeting on 16 December 2019 (to follow)

19 Housing Review Account Business Plan 2020-2050

HRA Business Plan 2020-2050 - Report of The Director of Housing

The Housing Revenue Account (HRA) Business Plan contained the financial model of the service for the next 30 years. A number of largely external changes meant that a full refresh of the Business Plan was necessary. This report identified the changes and the impact of these. The report also set out a new vision for the Housing Service and plans for growth in the number of new homes we plan to build. The report also proposed a new rent policy following the end of a period of four years of imposed rent reduction, this would provide a refreshed income position on which to build future plans set out in this report.

Officers worked with external housing and business planning advisers Savills to create a new structure and approach to modelling future financial planning. The proposed Business Plan represented the current established position, it incorporated assumptions concerning future projected substantial growth and gearing primarily to invest in new homes, that have been accommodated within the plan. This substantially increased level of investment was possible due to the imposed debt cap on the business having been removed, and represented higher levels of investment and borrowing than the service had previously undertaken. This created substantial opportunity to do more, but also would increase risk, factors which would need to be balanced carefully by the Council in the coming years.

The assumptions made within the business plan were prudent without being excessively restrictive; they provided for inflation on income and costs at prevailing rates which were aligned, allowed a considerable investment in existing stock, a substantial investment in new homes leading to a net increase in properties, whilst debt forecast at elevated levels to today at the end of 30 years. The peak debt of the plan was £164.4 million in year 11, which would not have been possible under the previous HRA regime with a debt cap of £115.8million.

Somerset West and Taunton Council owns and manages affordable housing of over 5700 homes mostly at social rent levels. This “business” within the Council had a turnover of £26M. Income was derived mostly from rents from tenants but also from service charges and other fees. Expenditure was made up of Council staff delivering services to tenants along with repairs and maintenance and other improvements to existing homes and investment in new much needed homes, and the repayment of borrowing.

The finances of the Housing Service was held within a ring-fenced account called the Housing Revenue Account (HRA) which was separate from all other Council finances in that the money was only to be used for providing services to tenants.

In 2012 the Council moved away from a national subsidy system, which meant an annual payment from the HRA to central government, to be ‘self-financing’. As part of the self-financing agreement, a mandatory one-off payment of £85.12m

was made to government, in return for being able to retain all income locally to manage and maintain the housing stock. The total debt in the HRA at the start of self-financing was £99.7m. Financially this was a positive step for the Council and it released more resources to be invested locally on additional services and new homes.

In order to manage the freedoms gained by the HRA through self-financing, a new 30 year Business Plan (2012-2042) was introduced. This set out the Council’s overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities. The HRA Business Plan had been reviewed and updated regularly since 2012, but recently there had been many changes in national policies and local aspiration that meant a full update of the Business Plan was once again required.

Since 2012 the HRA had been subject to an imposed notional debt cap, essentially setting a limit on the borrowing the service could undertake which provided a constraint on growth of the service in terms of investment in new homes. The HRA debt cap was £116M. Following many years of lobbying by the sector, the debt cap was removed, which heralded a new era of growth opportunity, as the business could afford to prudently borrow significantly more to allow more investment in existing and new homes.

The Council along with all Registered Providers (RPs) of social housing was subject to a four year period of enforced rent reduction. This step imposed in 2016 essentially removed £185M from the 30 year business plan at this time. Measures were taken at this stage to reduce costs and manage this reduction in revenue whilst continuing to invest in properties and in services for tenants. The period of rent reduction was now at an end and provided the opportunity to once again apply appropriate and modest rent increases to ensure the business kept track of increases in its operating costs.

The Council had declared a climate emergency, many tenants struggled to be able to afford to heat their homes, particularly as many homes were hard to heat due to poor thermal performance. The ability of the HRA to invest in communities especially with regard to the built infrastructure created an opportunity for funding to be targeted at these issues.

During the discussion of this item the following comments were made;

- How are we tackling the back log of Fire risk assessments? The fire related works was driven by our own risk assessment. This relates to the communal areas in our flats. A refresh on all of our assets was completed post Glenfel. A review process was now underway with all of the fire risk assessments. We are also employing a Fire Consultancy to come and do some audit of our more complex locations.
- How are the Lease Holders being encouraged to have their fire doors replaced to come up to our standards? There routes that we can enforce that or we may decide that we will replace them anyway as part of our programme;
- The one year introductory tenancies, do they automatically become secure? If we have issues during the introductory period they will be reported. Breaches with tenants will take steps to give warnings and then will escalate to serving notice. If

this is not followed we will then seek Legal Proceedings for possession. We will have to demonstrate that we have followed all the processes;

Resolved that the board were happy to recommend the Policy.

20 HRA Budget Setting 2020/21

An update was given on the HRA Budget Setting for 2020/21. Stated that the HRA is a ring fenced account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.

This report updates Members on the proposed HRA Annual Revenue Budget and Capital Programme for 2020/21, the proposed Rent Setting for the average weekly rent for 2020/21 and the proposed Fees and Charges for 2020/21. These proposals would enable the Council to set a balanced budget for the HRA for 2020/21.

In accordance with the Regulator of Social Housing's new Rent Standard from April 2020, the Dwelling Rent for 2020/21 for existing tenants will be an increase of CPI+1% to the average weekly rent, from £80.87 per week to £83.05 per week. For new tenants only this will be an increase of CPI+1%

plus an additional 5% for general needs to the average weekly rent, from £80.87 per week to £87.21 per week. An additional 10% for sheltered/supported and extra care dwelling rents to the average weekly rent, from £80.87 per week to £91.36 per week.

To increase non-dwelling rent and service charges in line with national policy by CPI+1% for 2020/21, with the exception of garages for private and shared ownerships tenants which would increase from £10.32 (including VAT) to £12.00 (including VAT).

Resolved that the Board Members were happy to support the recommendations proposed to the Executive and Full Council.

Meeting ended at 19:00