

**HOUSING MANAGEMENT ADVISORY BOARD  
10TH NOVEMBER 2021**

PRESENT: The Chair (T. Edwardes)

Board Members Ali, Hudson, Wright and Radford

Councillor Poland – Cabinet Lead Member for  
Public Housing

Head of Landlord Services  
Landlord Services Manager  
Group Accountant  
Democratic Services Officer (EB)

Representatives from Savills (Steve Partridge and  
Simon Smith)

APOLOGIES: Board Members Davis, Riley and Seaton

The Chair advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

22. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Board held on 8<sup>th</sup> September 2021 were confirmed as an accurate record.

23. DECLARATIONS OF INTEREST

No declarations of interest were made.

24. HRA ASSET MANAGEMENT STRATEGY AND HRA BUSINESS PLAN

The Head of Landlord Services submitted a report for the Board to consider the draft updated Housing Revenue Account (HRA) Business Plan 2021-2052 and Asset Management Strategy Framework. (Item 4 on the Agenda).

Steve Partridge and Simon Smith, representatives from Savills attended the meeting and gave a presentation on the matter.

The presentation outlined the fitness of the financial business plan and assessed it by drawing comparisons with comparable local authorities with a similar size housing stock.

Mr Partridge noted to the Board that the work of Savills had concluded that there were opportunities for investment in Council housing by the Council. This was in part due to the abolition of the debt cap which had historically restricted borrowing for HRA Plans.

Mr Partridge suggested to the Board that they consider options and priorities for investment.

Savills had been commissioned to conduct work in order to:

- Benchmark – Compare the Council’s rent-levels and costs to similar Local Authorities.
- Review the Asset Management Strategy – Consider where money would be spent on existing stock.
- Review the Housing Revenue Account Financial Business Plan
- Work with Officers to ascertain how much it was thought could be borrowed to invest.
- Address specific issues related to sheltered sites and review options on these issues.

### Benchmarking

A database had been built up by Savills based on data from Local Authorities similar to Charnwood Borough Council. Savills looked at the costs incurred by the Council for the previous and current financial year. In terms of cost per unit, Charnwood Borough Council was below its peer group. In overall terms, this deep analysis of the accounts showed that they were in order. The standout feature was the relatively low rents compared to other Local Authorities in the peer group which could be the result of aforementioned rent formula when rents were formula or previous policies. The fact that less money was coming in meant that there was a limit as to what could be done with the money, however, there was room for investment.

The Group Accountant clarified that there had been one year that due to Council policy rents had not been increased and this had the knock-on effect of rents being lower.

In response to questions from the Board, it was clarified that:

- There were 15 Local Authorities in the Midlands with similar levels of housing stock that the Council was benchmarked against.
- Stock profile and management costs were looked at across all types of stock and were not broken down into different types of stock.

### Asset Management Strategy Framework

- The stock condition database was not completely up to date which made forecasts difficult.
- There was a risk that something may need doing that hadn’t been done and *vice versa*.
- A 20% sample stock survey was recommended to update stock condition data.
- In overall terms, over the 30-year period of data, the existing data reflected broadly what is expected. The best practice going forward would be to carry out renovation based on updated stock condition data.

- Savills were not aware that anything was not right, but there was a risk of it being the case. The need to minimise this risk was emphasised.

The Board raised concern that without surveying all properties there may not be an accurate sample.

In response it was clarified by Savills that the point was to keep the survey updated through a systematic process and to have a commitment to understand the condition of properties.

The Head of Landlord Services added that there were gaps in the data but they were working to enrich the data. A Stock Condition Surveyor had been appointed to facilitate this.

### Financial Business Plan Review - Output from modelling work

- Forecasts had been approached on a prudent basis. Despite rents being low, there was a firm basis on which to make projections.
- The Group Accountant had been working on the budget and as such there may be minor adjustments on projections, however it was not thought that there would be that much variation.
- In terms of key assumptions, rent was the key driver for the HRA. Government policy had been applied with rent increased initially at the Consumer Price Index of 3.1% plus 1% (CPI+1), and then modelled at CPI only in future years.
- The database had been put into the model and assumptions about inflation had been made on where it was thought there would be price pressures.
- The Council did acquisitions of properties to replace stock being sold under the Right to Buy (RTB) scheme. Receipts were retained but these needed to be invested in housing. The easiest way for the Council to do this was by buying back properties.
- No assumptions had been made regarding the zero-carbon target. The Government had indicated that they wished social housing to move towards zero-carbon. Savills had concluded that it was better for them not to include anything in the plan regarding funding for this.
- A reserve existed for financing and major repairs.
- Where there is a peak in expenditure revenue surpluses were not sufficient to meet the demands of capital expenditure meaning that borrowing was the only way forward, so this was applied to the modelling.
- In the medium-term, loans that needed repaying and re-financing and it was projected that the HRA would have approximately £50million debt in 30 years' time.
- The plan appeared viable and looked similar to those of other similar local authorities.
- Over 30 years of funding there would be a net debt reduction.
- It was thought that everything in the HRA plan could be afforded.

It was suggested by the Board that as interest rates were set to increase it may be prudent to take loans earlier while there was cheaper finance.

In response, Savills indicated that it was a decision the Council Treasury would have to take depending on where they thought that interest rates would go. The board were further advised that there could be breakage costs if loans were repaid early. These decisions would need to be made as loans were repaid or refinanced.

Investment in sheltered stock may need some borrowing as it was desirable to avoid using reserves to keep them on an appropriate level.

The profile of expenditure could come forward and items that required investment could be identified and it may be desired that this be from borrowing rather than reserves.

In response to a question from the Board the interest payable on loans was 3.45% on average.

### Investing Capacity

- Since the HRA debt cap was no longer in place, the Council needed to come up with a view on how to invest and how to take decisions concerning investments. In reality, there were only so many properties generating a certain amount of income and this limited borrowing. Most Local Authorities were thinking about ways to set limits on borrowing and the need to get used to setting metrics was stressed.
- Regarding the interest cover ratio, money left over after interest was paid set a limit on how much interest could be afforded / how much money could be borrowed.
- Regarding debt compared to housing worth, it was not desirable to borrow more than the Council's stock was worth. It was advisable to limit borrowing to a percentage of the stock worth, and Savills had been working with a figure of 50% in their modelling.
- If underlying income was increasing, more could be borrowed. There was some capacity to borrow to invest.
- On all measures, there was more money that could be borrowed and invested.

The Board raised the issue that investing in existing stock would not see as much of a return as investment in new housing yet investment in existing stock was often needed.

Savills agreed that this could be the case and looked at the example of Sheltered stock which was often more difficult to let. Income was being lost on these properties, yet they still had service costs which would not be fully recovered if they were not occupied. The modelling looked at £17.5 million being invested in Sheltered stock and concluded that income would go up as void loss is reduced. In terms of the Revenue Account position, over a 30-year period, the positive impact of investing would result in higher income over a 30-year period, but this would also mean higher borrowing. Higher balances could be used to repay some debt. In this situation, investment in Sheltered stock would provide a return.

The Board raised the issue that in sheltered bedsit accommodation the Council had aimed to convert adjacent bedsits into flats when these became empty, but instead

they ended up being re-let, noting that if existing stock was not invested in the value would fall.

Savills expressed their confidence that such investment could be afforded by the Council and there was no financial impediment to this.

The Board sought advice on whether it would be better to invest in new property for the return or whether it would be better for the Borough to invest in existing stock so that their condition did not deteriorate.

Savills advised that if existing property was not invested in it would gradually cost more to run and become harder to let.

The Cabinet Lead Member for Public Housing noted that the Council were aware that the bedsit model had worked in the past but was not working now.

Action: Head of Strategic and Private Sector Housing to bring a paper to the Board on the Sheltered Housing Review.

Savills added that the Council were looking to buy properties from the open market to replace those sold under the Right to Buy (RTB) and that if RTB receipts were not spent then they needed to be given to the central government who charged interest.

Savills further clarified that properties acquired would need investment straight away. It was further added that if there was a projection of £18million in a 'continuation of acquisitions scenario' there was still capacity for investment and the Council were not committed to one type of investment.

In summary, Savills concluded that there were no red flags on operating costs, but rents were lower than average. There was a need to prevent the risk that data was wrong, and the business plan was sound and fully financed. There was capacity for investment and potential investment in sheltered stock and upping acquisitions and it may be necessary to invest in decarbonisation.

The Acquisition programme was based on RTB buyback. With regard to new builds, there was a £12billion affordable homes programme through Homes England and there was an opportunity to engage. RTB receipts could be used to build rather than on the open market. Assurance and data were needed on existing stock.

There was a suggestion from the Board that old properties in need of a lot of investment could be sold on the open market and the money from the sales could be put into bringing newer stock up to standard.

In response Savills noted that selective disposal, sometimes in conjunction with the private sector, can sometimes be useful in this way. The Group Accountant added that this had been done in the past.

Action: Updated Asset Management Strategy to be scheduled for a future meeting.

The Chair stressed the need to use the opportunity to bring stock up to date and stressed that it would be a good investment that had been needed for some time.

The Board suggested that if money was invested in Sheltered Housing then it might allow single people currently in three-bed houses to move out if they had sheltered housing that was fit for purpose to move into and increase housing capacity.

In response to a question from the Cabinet Lead Member for Public Housing, it was clarified that the comparator authorities in the peer group had between 5,000 and 10,000 properties.

The Chair concluded that there were possibilities to invest and it was important to consider what was best for the Borough.

## **RESOLVED**

1. That the report be noted.
2. That the updated HRA Business Plan and Asset Management Framework, and that Cabinet note the investment capacity for investment in sheltered housing opportunity to improve sheltered housing.

### Reasons

1. To acknowledge the Board's consideration of the matter.
2. To encourage consideration of sheltered accommodation for investment.

*At this point the representatives from Savills and the Group Accountant left the meeting.*

## 25. UPDATE REPORT ON THE EFFECT OF THE CHANGE IN THE COUNCIL'S POLICY ON BULK WASTE COLLECTION ON COUNCIL DWELLINGS

The Head of Landlord Services submitted a report updating members on the effect in terms of cost and service change to tenants and the housing revenue account of this change in council policy. (Item 5 on the agenda).

The Landlord Services Manager attended the meeting to assist with the discussion of this item and gave an update as follows:

- The original report had been considered in March and had examined the policy on charging for the removal of bulky items. The result had been inconclusive, so the issue had been brought back to the Board.
- It was necessary to clear away bulky waste especially if it posed a fire risk. As such, it was thought that people were exploiting the necessity to clear the waste by dumping waste knowing it would be cleared.

- The approximate cost of the clearing service was £40,000-50,000 per year based on both external and internal dumping. The HRA was absorbing this cost that was not to this great extent before the change in policy.

The Board considered the impact of the Covid-19 pandemic on dumping and raised the possibility of tenants on benefits getting cheaper collections.

Action: Cabinet Lead Member for Public Housing to provide information in respect of the Council's bulky waste collection service

The Board raised the issue of the issue of waste on Cheltenham Street including on a privately-owned Housing Association block, in particular a block where a compound has attracted a lot of waste from other properties. A lock had been requested so that only residents could use it, but this had not been forthcoming. It was noted that other blocks had the bins inside the block.

*At this point Councillor Radford left the meeting. This meant that the meeting was now inquorate. It was decided to continue the meeting informally.*

The Board suggested that it may not be Council tenants fly tipping and that any policy needed to consider the tenants as money spent on collections diverts money that could improve Council housing.

It was noted that when the Council collected fly tipping from outside a Council House the cost came from the HRA whereas if it was collected elsewhere it was charged to the General Account.

The Head of Landlord Services clarified that the Housing Assistant checked communal areas and identified areas where contractors needed to remove items. This was then charged to the HRA. With the Open Spaces Contract, external areas on Council housing land were cleared on a Monday. Waste could also be added to the "Monday list" for collection where officers noted them when out on the estates or tenant reported waste. This too was charged to the HRA.

**AGREED** that the report be noted.

#### Reason

To provide information to the Board and allow the Board the chance to comment.

#### 26. PERFORMANCE INFORMATION PACK QUARTER 2 2021-2022

The Head of Landlord Services submitted a report for the Board to consider performance at the end of Quarter 2, 2021-2022, April to June 2021. (Item 6 on the agenda).

The Landlord Services Manager attended the meeting to assist with the discussion of this item.

No comments were made.

**AGREED** that the report be noted.

Reason

To acknowledge the Board's consideration of the matter.

27. QUESTIONS FROM MEMBERS OF THE BOARD

In accordance with the Board's decision at its meeting on 22nd March 2017 (HMAB Minute 24.1), members of the Board had been asked in advance of the agenda being published whether they had any questions on matters within the remit of the Board that they wished to ask, for response at this meeting.

On this occasion no questions had been submitted.

28. WORK PROGRAMME

The Board received a report of the Head of Landlord Services to enable the Board to agree its Work Programme. (Item 9 on the agenda).

Members of the Board could identify matters that they considered required looking at over the next few meetings of the Board, including any already listed on the Work Programme but not yet scheduled. Officers present could provide advice as to whether items might be appropriately considered at the time proposed.

Summary of discussion:

- (i) That a future item be added to the work programme around the age designation of stock and potential revisions in that respect.
- (ii) Garages were not included in the Sheltered Housing Review. There was a separate review in progress.

**AGREED**

1. that the Sheltered Housing Review, Garages Review, and potential revision of age designations for letting stock be added to the Board's Work Programme

2. that the Board's Work Programme be updated to reflect all decisions made above and earlier in the meeting.

Reasons

1. so that it can be considered by the Board.

2. To ensure that the information in the Work Programme is up to date.



29. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

*At this point in the meeting the recording was stopped.*

30. FUTURE ARRANGEMENTS FOR THE DELIVERY OF PLANNED WORKS, VOIDS AND ASSOCIATED WORKS

An exempt report of the Head of Landlord Services was considered (Exempt item 10 on the agenda).

A summary of the Board's discussion on this matter is provided in the exempt minute (Housing Management Advisory Board 30E. 2021/22).

NOTES:

1. No reference may be made to these minutes at the next meeting of Full Council unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Housing Management Advisory Board.