

Minutes of Safer Neighbourhoods and Active Communities Scrutiny Board

**Tuesday, 10 January 2023 at 5.45 pm
at Council Chamber - Sandwell Council House, Oldbury**

Present: Councillor Fenton (Chair)
Councillors Akhtar (Vice-Chair), Ashman, Fisher, Jalil, Kaur,
Lewis and Shaeen

1/21 Apologies for Absence

Apologies were received from Councillors Bhullar, Webb and Ms Brown (Co-Opted Member and Chair of Tenant and Leaseholder Scrutiny Group).

2/21 Declarations of Interest and Party Whip

There were no declarations of interest made.

3/21 Minutes

Resolved that the minutes of the meeting held on 1 November 2022 be confirmed as a correct record.

4/21 Additional Items of Business

There were no additional items of business to consider.

An urgent item was considered under urgency provisions



Housing Revenue Account 30 Year Business Plan

Further to Minute No. 40/22 (1 November 2022), the Board received the Housing Revenue Account (HRA) 30 Year Business Plan.

The Associate Director of Savills delivered a presentation to the Board and outlined that the HRA Business Plan set out the strategic plan for managing the Council's housing stock. The Council's HRA owned over 28,200 properties for rent, the freehold on over 1,252 leasehold flats and other buildings across the borough.

The HRA was a ring-fenced income (from rents and service charges) and expenditure account for council housing and sits separate to the Council's other budgets. Expenditure related to operational costs, maintenance, debt costs, major refurbishments and new build developments through its capital programme. The Council has had a self-financing model since 2012, this led to the Council adopting additional debt (approximately £25m) to 'buy' its housing stock from the Government, however it allowed greater autonomy from central government with better long-term financial planning.

The Council had not produced a 30 Year Business Plan before and the Plan had been authored to ensure the sustainability of the HRA. The Board was advised that it was a draft document and would be amended in future years to address factors including:

- The results of the 14,000 stock condition surveys due to be procured.
- The new Decent Homes Standard is expected shortly, with new Housing requirements due to be introduced.
- The cost of compliance with new building legislation including the Building Safety Act 2022
- Improving energy efficiency; the Council's climate change strategy had identified that the cost of retrofitting Council housing stock was an estimated £600m, with external funding needed to achieve this.

Benchmarking exercises had been conducted with demographically similar local authorities and both the operating margin and reserve levels were comparable. Sandwell's repairs expenditure was higher

than others, however the Council management costs (£906 per unit – 2020/ 2021 average) were an average of £300 lower than other comparable local authorities.

Following assessments and desktop exercises, the following risks had been identified:

- Government Rent Policy had capped increases by 7%, with costs in the sector up by 11.5% on average.
- Energy efficiency challenges, over 50% of housing stock met EPC C standards across the borough.
- Properties lost via the right to buy scheme were expected to increase due to discount rates for tenants under that scheme to go up by 10.1% next year.
- Changing regulatory demands and associated cost pressures.

The existing development programme, due to be completed for 2026/ 2027 was due to provide 475 homes, at a cost of £109.6m and funded by borrowing, grants from homes England and right to buy receipts. However, it was expected that a greater number of properties would be lost via the right to buy scheme during this period resulting in an overall loss of council housing stock. Three scenarios had been modelled for additional new builds, based on an average cost of £250,000 per property.

The HRA debt stood at £484.886m, having been financed by specific loans (£337m) with a balance of 'internal finance' from the general fund. In addition, new borrowing for investment in the existing stock was via separate fixed rate loan at 4.25%.

The Director of Housing summarised the business plan by outlining that the HRA was in a relatively viable position but required ongoing borrowing. This was required on an annual basis to cover the increase of HRA debts; the prudential budgetary limit had been approved by the Council's Section 151 financial officer in conjunction with the Council's overall limits.

From the comments and questions by members of the Board, the following responses were made, and issues highlighted:-

- That Zero Carbon technology including heat pumps was expected to become cheaper as usage became more widespread.

- The result of the stock condition surveys would better inform the costs associated with achieving zero carbon.
- That the Council had a dedicated damp and mould team and has self-referred to the Housing Regulator. The Board heard that the Council had 52 cases of Category One hazardous mould, and tenants with medical or lung conditions may need support to ventilate their homes or be re-housed.
- Approximately 60 households per week were requesting repairs related to mould.
- For every property sold via the Right to Buy (RTB) scheme, RTB receipts provided only approximately 30% of the cost of building a new home.
- Income from RTB receipts, if not spent within a 5- year period, had to be returned to central government, however this money could be spent on acquiring existing properties as well as building new ones.
- Council-owned business premises not in use could potentially be converted into housing stock to address the housing shortage.
- Availability of land was the biggest barrier to providing new builds in Sandwell, challenges included sites acquired by developers which were not built upon (commonly known as land banking).
- Repair requests were triaged and assessed by need and could be escalated if required.
- The Board discussed the three modelled New Build Scenarios to achieve greater property construction than contained within the baseline plan. The Board found that due to current financial conditions nationally, it would be prudent to allow the market and interest rates to stabilise before recommending an option to Cabinet.

Resolved:-

- (1) that the Directors of Housing and Regeneration and Growth investigate the feasibility of turning Council owned non- residential properties into residential units.

6/21

Update from the Chair of the Tenant and Leaseholder Scrutiny Group

The Board deferred the update until the next Safer Neighbourhoods and Active Communities Scrutiny Board meeting.

7/21

Work Programme and Cabinet Forward Plan

The Board noted its Work Programme for 2022/23 and received the Cabinet Forward Plan.

Meeting ended at 7.37 pm

Contact: democratic_services@sandwell.gov.uk