

Public Document Pack

Gareth Owens LL.B Barrister/Bargyfreithiwr
Head of Legal and Democratic Services
Pennaeth Gwasanaethau Cyfreithiol a Democraataidd



To: Cllr Ron Hampson (Chair)

CS/NG

Councillors: Amanda Bragg, David Cox,
Paul Cunningham, Peter Curtis, Ron Davies,
Rosetta Dolphin, Jim Falshaw, George Hardcastle,
Ray Hughes, Hilary Isherwood, Brian Lloyd,
Mike Reece, Gareth Roberts and Sharon Williams

2 July 2014

Tracy Waters 01352 702331
tracy.waters@flintshire.gov.uk

Dear Sir / Madam

A meeting of the **HOUSING OVERVIEW & SCRUTINY COMMITTEE** will be held in the **CLWYD COMMITTEE ROOM, COUNTY HALL, MOLD CH7 6NA** on **MONDAY, 7TH JULY, 2014** at **2.00 PM** to consider the following items.

* Please note that the meeting will be held in the Clwyd Committee Room.

** The Committee is also reminded that an informal workshop to consider the Forward Work Programme will be held immediately following the meeting.

Yours faithfully

Democracy & Governance Manager

A G E N D A

- 1 **APOLOGIES**
- 2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**
- 3 **MINUTES** (Pages 1 - 16)

To confirm as a correct record the minutes of the meeting held on 21 May and 10 June 2014 (copies enclosed).

County Hall, Mold. CH7 6NA
Tel. 01352 702400 DX 708591 Mold 4
www.flintshire.gov.uk
Neuadd y Sir, Yr Wyddgrug. CH7 6NR
Ffôn 01352 702400 DX 708591 Mold 4
www.siryfflint.gov.uk

The Council welcomes correspondence in Welsh or English
Mae'r Cyngor yn croesawau gohebiaeth yn y Cymraeg neu'r Saesneg

4 **HOUSING REVENUE ACCOUNT SUBSIDY (HRAS) SYSTEM** (Pages 17 - 42)

Report of Chief Officer, Community and Enterprise enclosed.

5 **STRATEGIC HOUSING AND REGENERATION PROGRAMME (INCLUDING FLINT)** (Pages 43 - 52)

Report of Chief Officer, Community and Enterprise enclosed.

Agenda Item 3

HOUSING OVERVIEW & SCRUTINY COMMITTEE 21 MAY 2014

Minutes of the meeting of the Housing Overview & Scrutiny Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold CH7 6NA on Wednesday, 21 May 2014

PRESENT: Councillor Ron Hampson (Chairman)

Councillors: Amanda Bragg, David Cox, Ron Davies, Rosetta Dolphin, Jim Falshaw, George Hardcastle, Ray Hughes, Hilary Isherwood, Brian Lloyd, Mike Reece, Gareth Roberts and Sharon Williams

SUBSTITUTES:

Councillors: Ian Dunbar for Peter Curtis and Marion Bateman for Glenys Diskin

ALSO PRESENT:

Mrs. Mavis Crofts from the Tenants Federation

CONTRIBUTORS:

Cabinet Member for Housing, Head of Housing, Neighbourhood Housing Manager, Housing Asset Manager and Business Performance Manager

IN ATTENDANCE:

Housing and Learning Overview and Scrutiny Facilitator and Committee Officer

1. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Councillor Hilary Isherwood declared a personal interest in all items due to her husband being the Housing Shadow Minister.

2. MINUTES

The minutes of the meeting of the Committee held on 16 April, 2014 had been circulated to Members with the agenda.

RESOLVED:

That the minutes be approved as a correct record and signed by the Chairman.

3. DOMESTIC ABUSE

The Neighbourhood Housing Manager introduced a report to provide an overview and update of the work taking place within Neighbourhood Housing in relation to customers who were affected by domestic abuse.

The Committee were shown a dvd entitled 'Leaving' which had been requested by Councillor Peter Curtis. In response to a comment from Councillor George Hardcastle about the content of the dvd, the Neighbourhood Housing Manager said that it was hardhitting and disturbing but was a harsh reality of the issues that some Council tenants faced.

The Neighbourhood Housing Manager explained that it was difficult to measure the number of cases of domestic abuse as not all incidents were reported. Figures provided by Police indicated that there were 2348 recorded incidents of domestic abuse in Flintshire in 2012/13 and on average, people had 30 experiences of domestic abuse before they sought help.

Councillor Hilary Isherwood felt that the dvd had been difficult to watch. She spoke of issues around domestic abuse, both physically and mentally, and how it could be little people that were experiencing it and highlighted the fact that a significant number of people over the age of 70 were also domestically abused. She felt that discussions around domestic abuse should be included in the school curriculum and said that it was important to highlight the issue before it became a problem. Councillor Isherwood said that the dvd highlighted that making the call to seek help was difficult. The Neighbourhood Housing Manager commented on the work of the Housing Officers and the relationships that the officers built up with the tenants and said that it was important that the officers were trained to deal with such disclosures of domestic abuse.

Councillor Sharon Williams thanked the officer for the dvd and welcomed the training for Housing officers to allow them to look out for any signs of domestic abuse. She spoke of signposting to agencies that could provide assistance and support for victims and welcomed that awareness of the issue was being raised within the Housing Service.

The Neighbourhood Housing Manager commented on the multi-agency arrangements around domestic abuse and spoke of the work undertaken at the Multi-Agency Risk Assessment Conference (MARAC). The number of referrals to MARAC by housing staff had historically been low but it was felt that this could be because an appropriate referral had already been made to MARAC by other agencies or the Police. This had prompted the team in Neighbourhood Housing to ask whether there were opportunities to identify domestic abuse being missed. The Housing Service was working with the Domestic Abuse Co-ordinator within Community Safety and other social landlords in the area to enhance the approach to identifying and dealing with incidents of domestic abuse.

It was reported that Housing Officers and front line staff who may go into customer's homes would be trained, which would also include the Council's Income Officers who were to be trained in recognising domestic abuse and being confident to ask the right questions. Trades staff such as joiners would also be given awareness training so that they would know what to do if they attended a property and had concerns about domestic abuse. Recruitment of additional specialist officers in anti-social behaviour would allow them to also be the lead officers within neighbourhood housing for reports of domestic abuse and would act as a link between neighbourhood housing, support services and other agencies such as the police. The Neighbourhood Housing Manager said that the Housing Service was also looking to develop clear branding, such as badges or a lanyard, so that customers could clearly identify who was trained in domestic abuse to allow customers to overcome concerns when wanting to disclose incidents. She also provided details of re-charges where damage to a property had been caused by a perpetrator of the abuse rather than the tenant, and issues to be considered by Anti-Social Behaviour Officers when dealing with complaints.

Councillor Gareth Roberts highlighted the excellent work undertaken by Delyn Women's Aid and the difficulties that victims of domestic abuse experienced in disclosing incidents. Councillor Ian Dunbar welcomed the fact that the issue of domestic abuse was being highlighted within the Housing Service and the suggestion that badges or lanyards were to be considered for clear identification of trained officers. He commented on a situation where a victim of domestic abuse lived close to their family and support network and whether in such cases it was possible to move the perpetrator out of the property rather than relocating the victim away from their family. The Neighbourhood Housing Manager said that powers were different depending on whether the perpetrator was the tenant or not and she commented on the powers within the Housing Act and Anti-Social Behaviour Act. The Police were also to have additional powers where they could exclude the perpetrator for 48 hours but this could be extended to 28 days if an application to the Magistrates was successful.

In response to a question from Councillor George Hardcastle, the Neighbourhood Housing Manager said that there were formal information sharing meetings with the Police and other agencies as well as regular contact on an ad hoc basis. The recruitment of specialist domestic abuse officers had also given the Housing Service the capacity to deal with the issue.

Councillor Rosetta Dolphin asked whether counselling would be provided to officers dealing with reports of domestic abuse. The Neighbourhood Housing Manager confirmed that counselling would be offered and spoke of the Council's responsibility to the health and wellbeing of its staff. Councillor Sharon Williams felt that people did not know what help was available to them if they were experiencing domestic abuse and welcomed the ongoing support that was to be provided by officers within the Housing Team. Councillor Marion Bateman suggested that the dvd also be shown to the Social and Health Care Overview & Scrutiny Committee as she felt that it was important for as many people as possible to see the dvd. In response to a comment from Councillor Isherwood, the Neighbourhood Housing Manager said that older people did not always relate to the wording of 'domestic abuse' and suggested that different wording be considered.

RESOLVED:

- (a) That the report be noted; and
- (b) That the Committee support the ongoing work of the Neighbourhood Housing Team in tackling domestic abuse.

4. RESPONSIBLE PET OWNERSHIP POLICY

The Neighbourhood Housing Manager introduced a report on the Housing Service's proposed Responsible Pet Ownership Policy.

She detailed the background to the report and explained that the need for developing such a policy had arisen for a wide variety of reasons. The Neighbourhood Housing Team received a broad range of calls from complaints about animal related nuisance to concerns for the welfare of animals kept in council properties. The aim of the policy was to allow the Neighbourhood

Housing Teams to provide clear guidance and a consistent approach across the county. It would deal with a broad range of issues faced by the Housing Team and had been developed through feedback from residents who had reported animal related problems, through a Member workshop held in March 2014 and in consultation with the Tenants Federation. The Neighbourhood Housing Manager advised that if the policy was supported at this meeting, it would be submitted to Cabinet in June and if agreed, an implementation date in the future would be agreed rather than applying the policy retrospectively. She provided a detailed explanation of the issues which had been considered which included implementation issues, the legal framework, the application process, decision making and enforcement. The Neighbourhood Housing Manager also spoke of an accreditation scheme which the Council would look to apply for if the policy was applied.

Mrs. Mavis Crofts from the Tenants Federation said that the Federation had welcomed the opportunity to be consulted on the policy but said that in her opinion, it would be a difficult policy to enforce. She added that it was important that tenants were aware of their responsibilities and she praised the Housing Team for their consistent hard work.

Councillor Rosetta Dolphin echoed the comments that the policy would be difficult to enforce and asked for clarification on when it would be implemented from. She did not agree that residents in flats should be allowed to keep pets unless the property was on the ground floor. In response to a question from Councillor George Hardcastle about the number of staff working within the team, the Neighbourhood Housing Manager said that the team consisted of 11.5 Housing Officers and 3 specialist Anti-social Behaviour Officers. Following a further question from Councillor Hardcastle, she said that whether pets were permitted would depend on individual circumstances but the policy would provide guidance to the Housing Officers for a consistent approach to all requests. She was not aware of any legal action being taken since November 2012 about pets being in properties but she said that tools and powers were in place if required.

Councillor Ray Hughes raised concern about a property in his ward where dogs were kept but which fouled in a play area across the road from the dwelling. He had repeatedly reported it and he added that he felt that the Council should have powers to refuse permission for pets if problems had occurred with tenants in the past. The Neighbourhood Housing Manager advised Councillor Hughes to speak to her following the meeting to provide details of the property.

In referring to an earlier comment about pets being kept in flats, Councillor David Cox said that it was important not to set a precedent about the keeping of pets. The Neighbourhood Housing Manager said that it was an important point but reminded Members that there were different types of flats. Councillor Mike Reece asked if the policy covered the keeping of lambs as pets. The Neighbourhood Housing Manager confirmed that they were not classed as household pets and were therefore not permitted. Councillor Brian Lloyd sought clarification on whether the policy covered the selling of livestock such as rabbits, fish and snakes as a business. The Neighbourhood Housing Manager said that the commercial aspect of animals was detailed in the policy along with the nuisance element of keeping pets. The policy indicated that breeding of pets should not take place and even though neutering of animals could not be

enforced, it would be recommended. The Head of Housing added that if complaints were received about tenants running a business from their property then this could be picked up under the Tenancy Agreement.

Councillor Rosetta Dolphin spoke of a property that had approximately 8 dogs which were being bred and the puppies being sold and asked how large number of dogs being kept in private sector properties was dealt with. The Neighbourhood Housing Manager said that if the business was being undertaken legally and was registered, then there was nothing to prevent private tenants from doing so, but Council tenants would be investigated. Councillor Marion Bateman raised concern about a property in her ward where dogs which were locked up outside barked all day and caused a nuisance for the neighbours. The Neighbourhood Housing Manager said that the application process involved tenants having to indicate where the animals would be kept so that any noise nuisance could be prevented before it began. She agreed to speak to Councillor Bateman about the property following this meeting. Councillor George Hardcastle asked if the policy could include a condition that all dog owners needed to acquire a licence to keep a dog. The Neighbourhood Housing Manager confirmed that this was not possible and added that the policy was the best that the Council could do in its legal framework.

RESOLVED:

- (a) That the proposed Responsible Pet Ownership Policy be supported; and
- (b) That the Committee support the proposal to apply the Responsible Pet Ownership Policy going forward, and not retrospectively.

5. UPDATE ON THE HOUSING ASSET MANAGEMENT SERVICE

The Housing Asset Manager introduced a report to update Members on the progress of the Housing Asset Management Service improvement workstreams. He introduced Denise Price, the Business Performance Manager, to the Committee.

He detailed the background to the report and provided details of some of the main highlights of 2013-14 which included improved performance across all categories of repairs and full delivery of the Capital Programme, again outperforming the promises made in the Choices Document. It was reported that the team had worked closely with the Housing Training Manager to provide both necessary and added value training to all members of the service and a full list of the training provided was detailed. One of the courses which had been identified as being of benefit to the service was scaffolding, as being able to carry out this task in-house would reduce the amount of spend with external contractors. A corporate fleet review had been undertaken and the proposed new ownership model would generate efficiencies through both cost of vehicles and improved productivity as a result of revised arrangements for vehicle servicing and safety checks.

On the issue of mobile working, the Housing Asset Manager said that there had been some initial difficulties but the issues were being addressed and a robust solution to provide an effective, fit for purpose Mobile Working solution for

the future was being identified. A site visit had been undertaken by Housing and IT officers to an authority where the proposed solution had been implemented in order to view the new solution in a working environment and to discuss the risks and benefits of the system. The Housing Asset Manager provided details of the new solution and explained that the project to implement the new solution would be undertaken in three stages which he detailed. The team had achieved significant improvements in performance across all categories of repairs over the last 12 months and continued to work towards further improvement with the aim of achieving top quartile status for the service. It was predicted that over 49,000 additional repairs would have been carried out in 2013-14 which was over 3000 more than the last financial year and a further 2000 more than the 2011-12 financial year. The Housing Asset Manager spoke of the performance around vacant properties and added that there had been a number of improvements to management arrangements and business processes during the year which had driven the improvements. Further developments were planned for the forthcoming year to continue progress which included revised voids standards, in-house Welsh Housing Quality Standard (WHQS) kitchen team and improved performance reports. He advised that 99.69% of gas servicing checks had been undertaken in 2013-14 but added that the target remained as 100% and the team was committed to working with Housing Management to achieve that in 2014-15.

The Housing Asset Manager provided details of the works which it had been intended to provide under the Capital Works Programme for 2013/14 and also details of the works which had been carried out which exceeded the targets. This included 200 bathrooms which had been delivered to meet WHQS which had not initially been included in the programme but which had since been allocated some funding. Following agreement with Welsh Government of a revised business plan to achieve WHQS by 2020, a number of measures had been undertaken to progress delivery of the standard, which were detailed in the report. The next step was to develop a revised delivery programme incorporating information and feedback and this would be undertaken in three stages which were also detailed. The priorities for the forthcoming financial year 2014-15 included implementing a revised Mobile Working solution in the service, improving van stock management and developing a six year Investment Programme to achieve WHQS.

Councillor Mike Reece welcomed the report but raised concern about van users taking their vehicles home when they were on holiday. Also he felt that the supervision of the caretakers should be undertaken as part of the Building Maintenance Team. The Housing Asset Manager said that he would discuss both of these issues with the Head of Housing following this meeting.

In raising concern about problems that had previously occurred on Mobile Working, Councillor Rosetta Dolphin said that it was important to ensure that the new system was suitable for the service. The Housing Asset Manager acknowledged that there had been problems in the past but said that the service would have been looking to upgrade at this time anyway so a system that was more flexible and updated would be of benefit. In response to a further comment from Councillor Dolphin, the Housing Asset Manager said that once the analysis of the Capital Programme had been undertaken the programme would be revised. Councillor Ian Dunbar raised concern about delays in the provision of kitchens which were being specifically designed to fit but welcomed the

improvement in the repairs service. In response to a question from Councillor Dunbar, the Housing Asset Manager provided further details of lone working and explained that processes and procedures were in place to ensure the safety of the workforce.

Councillor George Hardcastle welcomed the report and asked that the thanks of the Committee be passed to the workforce for the improvements made. Following a question from Councillor Hardcastle about mobile working, the Housing Asset Manager explained that the new proposal would cost significantly less than what had been budgeted for and said that the budget would cover the new devices and include a scheduling element too. If problems occurred with the new devices then the back-up system would be the devices that were currently in place which would mean that there would never be any risk that the service could not continue.

Councillor Hilary Isherwood raised concern about two issues with resident's kitchens in her ward which she asked the Head of Housing to consider. She also raised concern about council houses which did not have a back door as she felt that it was crucial to have two escape routes from a property. She asked whether this would be covered by the WHQS. The Housing Asset Manager advised that he did not know whether this would be part of WHQS but said that he would make enquiries and would provide a response to Councillor Isherwood. He added that the issue of properties not having a back door would be addressed during the property having a kitchen upgrade.

In response to a question from Councillor Amanda Bragg about problems that may arise with gardens of properties when residents take over a tenancy, the Head of Housing said that it was hoped that any issues could be dealt with under the new six year capital programme. She added that the Tenancy Agreement would make clear that the garden was the responsibility of the tenant, but it was important to ensure that it was in a suitable condition before the tenancy commenced. The Housing Asset Manager said that ideally, all of the issues would be addressed when the property was void and added that external repairs/alterations would form a large part of the new six year plan. Councillor Isherwood asked if there were any proposals to use parts of larger gardens as parking areas in wards which had a lack of parking and the Housing Asset Manager said that it could be looked at as part of the environmental project and that each area would be addressed on its merits.

RESOLVED:

- (a) That the report be noted;
- (b) That now the service was delivering sustained improved performance that an annual update report to Committee be provided in future.

6. FORWARD WORK PROGRAMME

The Housing and Learning Overview and Scrutiny Facilitator introduced the report to consider the Forward Work Programme for the Committee.

The Facilitator explained that an All Member workshop on Tackling Long Term Vacant Private Homes had been arranged for 2 June 2014. She detailed the items for consideration at the 10 June 2014 meeting of the Committee and explained that there were several items listed which were to be scheduled. As the diary for 2014/15 had been agreed at the Annual Meeting held earlier in the week, the Facilitator suggested that a Forward Work Programme planning workshop be held so that the agreed meeting dates for the Committee could be populated.

RESOLVED:

- (a) That the Forward Work Programme be agreed; and
- (b) That a Forward Work Programme planning workshop be arranged to allow the meeting dates for 2014/15 to be populated.

7. MEMBERS OF THE PUBLIC AND PRESS IN ATTENDANCE

There was one member of the public and one member of the press in attendance.

(The meeting started at 10.00and and ended at 12.26pm)

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Chairman

HOUSING OVERVIEW & SCRUTINY COMMITTEE

10 JUNE 2014

Minutes of the meeting of the Housing Overview & Scrutiny Committee of Flintshire County Council held in the Delyn Committee Room, County Hall, Mold on Tuesday, 10 June 2014

PRESENT: Councillor Ron Hampson (Chairman)

Councillors: Amanda Bragg, Paul Cunningham, Peter Curtis, Ron Davies, Rosetta Dolphin, Jim Falshaw, George Hardcastle, Brian Lloyd, Mike Reece and Gareth Roberts

SUBSTITUTES: Councillors Alex Aldridge (for David Cox) and Paul Shotton (for Sharon Williams)

APOLOGIES: Councillors: Ray Hughes and Hilary Isherwood

CONTRIBUTORS: Cabinet Member for Housing, Chief Officer (Community & Enterprise), Housing Regeneration & Strategy Manager, Neighbourhood Housing Manager, Community Support Services Manager and Performance Team Leader

IN ATTENDANCE: Housing & Learning Overview & Scrutiny Facilitator and Committee Officer

8. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

No declarations of interest were made.

9. APPOINTMENT OF VICE-CHAIR

The Chairman sought nominations for a Vice-Chair for the Committee. A nomination for Councillor George Hardcastle was duly seconded and on being put to the vote, was carried. No further nominations were received.

RESOLVED:

That Councillor George Hardcastle be appointed Vice-Chair of the Committee.

10. MINUTES

The minutes of the meeting held on 28 April 2014 (joint meeting with the Environment Overview & Scrutiny Committee) had been circulated with the agenda.

Matters Arising

Minute number 4: Private Sector Housing Renewal - in response to a query from Councillor Rosetta Dolphin, the Chief Officer (Community & Enterprise) advised that Neal Cockerton was looking into the collective energy switching scheme and would report back to the Environment Overview & Scrutiny Committee.

RESOLVED:

That the minutes be approved as a correct record and signed by the Chairman.

11. IMPROVEMENT PLAN 2014/15

The Performance Team Leader delivered a presentation and presented extracts from the draft Improvement Plan 2014/15 detailing sub-priorities relevant to the Committee, prior to the full Plan being submitted to Cabinet and Council for adoption later in the month. The report also included an extract from the supporting document entitled 'How achievement will be measured'.

As detailed in the report, a refresh of the Improvement Priorities had resulted in the setting of 22 sub-priorities for 2014/15 (as opposed to 24 sub-priorities for 2013/14) under eight over-arching Priorities. It was noted that the Wales Audit Office had reflected positively on changes to the Improvement Plan for 2013/14 in terms of its clarity and enabling public engagement.

The Housing Regeneration & Strategy Manager gave an overview of the sub-priorities to be considered by the Committee.

In welcoming the report, the Chairman highlighted the positive work carried out by the Welfare Rights team which had resulted in £2.3m of additional Social Security and Tax Credits received by Flintshire households during 2013/14. During the item, he congratulated the Chief Officer (Community & Enterprise) on her new role and looked forward to her continuing to work with the Committee.

This was echoed by Councillor Paul Shotton, who suggested that information recently shared with Members on the Flintshire Credit Union scheme should be promoted to residents as a better alternative to payday loans. On the Wales Housing Quality Standard, he was pleased to note continued investment in the Council's housing stock and noted that tenants had expressed their satisfaction in the work completed. He commented on the exiting of the Housing Revenue Account (HRA) subsidy system which would help to support plans to build new Council houses and hoped that locations would be identified across the county. The Cabinet Member for Housing said that no decision had been reached on locations and that various sites were currently under consideration.

Councillor George Hardcastle asked about progress reporting from meetings of the Council's wholly owned property management company, North East Wales Homes. The Chief Officer (Community & Enterprise) reported on the set up of the Board which had met twice to date, and said that performance reports would be submitted to the Committee every six months, with the first due in the Autumn.

Councillor Peter Curtis asked if the Council would publicise the second phase of a new Green Deal initiative by the Government for residents to apply for loans of up to £7K towards energy efficiency measures. The Housing Regeneration & Strategy Manager said that residents were being directed to such national loan schemes or alternative schemes available through the Council

where this was more appropriate, for example where funding was available for vulnerable client groups.

In response to queries raised by Councillor Rosetta Dolphin, the Housing Regeneration & Strategy Manager explained the difficulty in assessing the impact of Universal Credit at this early stage and that a phased approach was being taken across the UK, with full implementation estimated to take around 2-3 years. Progress would be reported to the Committee at a later date, however since 7 April 2014, claims had been accepted by Shotton Job Centre for Jobseeker's Allowance, with live claims currently being processed for seven residents. On the suggestion for extra care provision in Greenfield, it was reported that sites in Holywell were under consideration.

When asked by Councillor Mike Reece about energy efficiency measures for solid brick properties, it was reported that various funding streams were available through the central Government Green Deal, the Welsh Government's Arbed scheme and ECO funding from utility companies.

In response to comments from Councillor Gareth Roberts on additional extra care facilities in the county, the Housing Regeneration & Strategy Manager explained that potential funding was available from the Intermediate Care Fund and that discussions with social landlords had been positive.

Councillor Curtis referred to money invested in improving shop fronts and said that steps should be taken to ensure that the flats above these shops were brought back into use. The Housing Regeneration & Strategy Manager explained that the new structure allowed for Housing and Regeneration to work more closely on such initiatives.

Councillor Hardcastle welcomed proposals to build 100 Council houses over a six year period and asked about the potential for additional provision. The Chief Officer (Community & Enterprise) said that the commitment given for 100 properties was based on likely borrowing approval from negotiations through exiting the HRA subsidy system, however it was possible that capacity may increase over time.

Following comments from Councillor Curtis on building new Council houses, the Chief Officer (Community & Enterprise) said that representations had been made to the Welsh Government to make changes to the current Right to Buy suspension policy to allow Council assets to be retained over the longer term.

RESOLVED:

- (a) That the draft Improvement Plan 2014/15 and the 'How achievement will be measured' document be noted prior to final publication in June; and
- (b) That the comments of the Committee be collated and sent to the Performance Unit.

12. YEAR END IMPROVEMENT PLAN MONITORING REPORT

The Housing Regeneration & Strategy Manager introduced the report for the Committee to note and consider elements of the 2013/14 Year End Improvement Plan Monitoring Report relevant to the Committee for the period January to March 2014. He spoke positively about the new format of the Improvement Plan which he felt was more helpful in providing a steer on targets.

He gave a short presentation on performance within each of the sub-priority areas, highlighting work which had been undertaken to improve performance and areas where improvement was needed, as outlined within each report.

Modern, Efficient and Adapted Homes

Councillor Paul Shotton welcomed the establishment of North East Wales Homes, and hoped the initiative received the publicity it deserved. He referred to the company being able to lease properties of older homeowners who wished to access sheltered housing accommodation and asked how this would be publicised. The Community Support Services Manager explained that publicity had only been low key to date but this would be picked up more broadly in the coming months. Private landlords had been previously contacted and that the company was working with those who had shown interest. Information on the initiative had been made available through a press release and social media. The Housing Regeneration & Strategy Manager added that owners of long-term vacant properties had also been made aware of the services of the company.

Councillor George Hardcastle referred to the Boar's Head in Ewloe, which was due to be demolished, and asked about the potential for this to be converted for use as accommodation, similar to that planned for other former public houses in the county. Whilst the Chief Officer (Community & Enterprise) agreed with the point made, she explained that this was not something the Council would insist on.

In response to a question from Councillor Shotton the Housing Regeneration & Strategy Manager provided an update on plans to convert the Swan in Connah's Quay to four self-contained flats with a start date anticipated in due course.

Councillor Gareth Roberts commented on the site acquired by Wales & West Housing near the Watkin Jones site in Holywell, which could provide a significant opportunity for accommodation. The Housing Regeneration & Strategy Manager was not aware of the detail but offered to find out and respond.

RESOLVED:

- (a) That the report be noted; and
- (b) That feedback be provided to the Corporate Resources Overview & Scrutiny Committee who are responsible for the overview and monitoring of improvement targets.

13. YEAR END SERVICE PERFORMANCE REPORT

The Chief Officer (Community & Enterprise) introduced a report for the Committee to note and consider the 2013/14 Year End (January to March 2014) service performance report produced under the adopted business model of the Council. Out of the 24 indicators for Housing Services, 16 were 'green', eight 'amber' and none were red, helping to increase confidence in the service meeting its targets.

The team managers each gave a short presentation on performance, outlining work which had been undertaken to improve performance and areas where improvement was needed, as outlined within the report. In particular, attention was drawn to the outcomes of the capital works programme for 2013/14 which had exceeded the expectations set out in the Choices Document, and the fact that this continued increase had been achieved with no significant change to the workforce and budget.

On corporate reporting, whilst days lost to sickness absence showed continual improvement, it was noted that this remained an area of priority for the service.

Councillor George Hardcastle commented on the efficiency of the urgent repairs team and asked that his appreciation be passed on. He welcomed the 2013/14 outturn for current tenant rent arrears which, although just under the annual target, showed improvement on last year and was an excellent achievement in view of the impacts of welfare reform.

In response to a query on bed and breakfast accommodation, the Community Support Services Manager referred to the commentary in the report which alluded to the difficulties in moving some families out of this type of accommodation. Despite this, during 2013/14 there had been a significant fall in the number of families placed in bed and breakfasts (17) and the average number of days spent at this provision had slightly reduced to 21 days. The Neighbourhood Housing Manager agreed to provide figures for current total rent arrears separately, including those for year end 2013/14.

The Chairman praised the Housing Options team for their efforts in reducing the bed and breakfast statistics.

Councillor Rosetta Dolphin referred to the anti-social behaviour survey and suggested that this would be best carried out by speaking with residents. The Neighbourhood Housing Manager explained that individuals who had reported anti-social behaviour issues would be contacted by telephone by a separate team to complete the survey. Where an issue had been reported, an action plan was agreed and progressed. Following the introduction of a new IT system to manage cases, an update report on performance in anti-social behaviour would be submitted to the Committee later in the year.

In response to a further question, the Community Support Services Manager advised that low income households, including single people, were eligible for the Bond scheme. The Housing Regeneration & Strategy Manager provided clarification on the Countywide Home Repair and Renovations support

service where loans of up to £30K could be allocated for improvements identified through a health and safety rating system assessment of the property.

Councillor Paul Shotton asked that his thanks be relayed to officers for their prompt actions to address anti-social behaviour issues in his ward. In response to concerns about the implementation of Universal Credit, the Community Support Services Manager gave assurance that preparations were underway to ensure that Flintshire Connects officers were trained to provide low-level advice and offer help to individuals wishing to make online claims.

Councillor Peter Curtis asked about the possibility of direct telephone numbers for Flintshire Connects offices. The Chief Officer (Community & Enterprise) said that options were under consideration to provide a telephone service which did not impact on the face-to-face service already in place, and would report back to the Committee on this.

Councillor Gareth Roberts asked if the apprenticeship scheme could be extended to help restore properties that had been left in a bad state. The Cabinet Member for Housing gave an example where this was already being done successfully.

RESOLVED:

- (a) That the report be noted; and
- (b) That the comments/observations of the Committee are fed back to the Corporate Resources Overview & Scrutiny Committee who are responsible for the overview and monitoring of performance.

14. FLINTSHIRE'S LOCAL HOUSING STRATEGY - A REPORT ON PROGRESS

The Housing Regeneration & Strategy Manager introduced a report to review progress against the aims contained within the Council's Local Housing Strategy 2012-2017 'A Quality Home for Everyone'.

The Local Housing Strategy, adopted in 2012, set out the Council's ambitions under three established themes of 'More Housing, More Choice', 'Improving Homes and Communities' and 'Better services to improve people's lives'. Progress to date against targets under each theme identified positive actions with many completed or on track to do so.

On 'improving homes and communities', Councillor Rosetta Dolphin welcomed the achievements in exceeding expectations made in the Choices Document. Although the target of smoke detector installations had not been reached, it was explained that properties already had the equipment installed and that overall the programme was ahead of schedule.

Councillor Paul Cunningham congratulated officers for their work in installing smoke detectors which was an important part of fire safety and was aware that the Fire Authority was also able to offer this service.

Councillor George Hardcastle thanked officers and the Cabinet Member for Housing for the excellent progress made.

RESOLVED:

That the progress made against the actions within the Council's Local Housing Strategy 2012-2017 'A Quality Home for Everyone' be noted.

15. FORWARD WORK PROGRAMME

The Housing & Learning Overview & Scrutiny Facilitator introduced a report to enable the Committee to consider the Forward Work Programme.

The Facilitator would ensure that invitations had been sent to Members of the Committee to attend a self-assessment workshop on 26 June 2014.

With regard to the workshop scheduled for the afternoon of 10 July 2014, it was agreed that this slot would be used for a formal meeting of the Committee to consider the proposed Flint Masterplan followed by the informal workshop to populate the Committee's Forward Work Programme.

In response to a request from Councillor Rosetta Dolphin for an item on grass cutting, the Facilitator said that this was one of the items to be scheduled on the Forward Work Programme at the workshop.

RESOLVED:

That the Forward Work Programme be updated accordingly.

16. MEMBERS OF THE PUBLIC AND PRESS IN ATTENDANCE

There was one member of the press in attendance.

(The meeting started at 10.00 am and ended at 11.45 am)

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Chairman

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FLINTSHIRE COUNTY COUNCIL

REPORT TO: **HOUSING OVERVIEW & SCRUTINY COMMITTEE**

DATE: **MONDAY, 7TH JULY 2014**

REPORT BY: **CHIEF OFFICER, COMMUNITY AND ENTERPRISE**

SUBJECT: **HOUSING REVENUE ACCOUNT SUBSIDY (HRAS) SYSTEM**

1.00 PURPOSE OF REPORT

1.01 Welsh Government issued a consultation document on 15th May 2014 identifying options to end the HRAS subsidy system by voluntary agreement. This paper describes the content of the document, implications of the various options for Flintshire and seeks support for Flintshire's response submitted on 10th July 2014.

2.00 BACKGROUND

2.01 The Welsh Government has been in discussion with HM Treasury since 2010 with a view to agreeing a financial settlement that would enable the stock retaining local authorities (11) to exit from the Housing Revenue Account Subsidy (HRAS) system.

2.02 In June 2013, Welsh Ministers announced that they had reached agreement with HM Treasury. The key elements of the agreement are:

- Local Housing Authorities (LHA's) are required to "buy" themselves out of the HRAS.
- £73M of annual subsidy payments will be replaced by interest payments of approximately £40m.
- The £40m annual interest payments will be converted to a lump sum settlement figure to enable LHA's to plan their "basket" of borrowing to meet this requirement and other investment needs. Public Works Loans board must be used for all borrowing
- HM Treasury require a housing related borrowing cap to be imposed on each LHA

2.03 The Housing (Wales) Bill is expected to make provision, allowing WG to make a determination for the calculation of the settlement ("buy out") payment.

2.04 The borrowing cap requires UK legislation. UK Government has agreed that exit from the system can take effect from 1st April 2015 but this will require a Voluntary agreement, secured and managed by Welsh Government. All eleven councils must agree and sign the voluntary agreement.

3.00 CONSIDERATIONS

- 3.01 Welsh Government officials have established a Steering Group and worked with LHA's to consider the principles on which the settlement figure and borrowing cap could be distributed. Key principles on which all have agreed is that "all stock retaining authorities should be "better off", than under the current system.
- 3.02 In order to be able to exit the system by 1st April 2015 a (challenging but achievable) timetable has been established. This requires a response to the consultation document by 10th July. The Ministers decision on the outcome of the consultation is expected by 31st July. Following this the council will need to seek approval for the introduction of self financing on the terms outlined by the Minister to enable officers to complete the work streams necessary for Self Financing to be introduced and for the Council to be able to sign the voluntary agreement described earlier.
- 3.03 The WG consultation document is attached to this report as Appendix A. It identifies a rationale for, and proposal for distribution of the settlement buy out figure, and three options for distribution of the borrowing cap.
- 3.04 The proposal for the settlement figure, which is an annual payment to HM Treasury of £40m per year (to replace the £73m negative subsidy payment), is to use the negative subsidy payments as the basis for apportioning each of the 11 councils share of the £40m annual payment. There is a general (informal) consensus by all councils affected that this seems fair, and in Flintshire's case, based on 13/14 data would result in an annual interest payment of £3,471,379. The negative subsidy payment for the same period was £6,324,826.
- 3.05 A large number of proposals for distribution of the borrowing cap were considered, and the final consultation paper included three of these. Again some overriding principles were agreed informally. The first is that existing borrowing needs to be accounted for when distribution of the cap is considered. Secondly, borrowing needs to achieve the WHQS must take priority over other aspirations. These principles have been supported in principle.
- 3.06 Once these figures had been drawn together based on 13/14 MRA applications, £107m remained for borrowing to meet new build aspirations across the 11 councils. Four councils including Flintshire had well developed plans and aspirations for new build, whilst others, had an ambition but had not identified specific borrowing needs. This area of the work to date has therefore been a little challenging, hence the 3 options presented in the consultation document.

- 3.07 The first option suggests distributing the new build borrowing on the basis of the plans submitted by each council. In Flintshire's case this would provide (£25m to achieve WHQS and) £20m for new build.
- 3.08 The second option proposes using the SHG formulae for distribution of the £107m across all 11 councils. The rationale for using this is that the formulae utilises data on income levels and house prices to make an assessment of the need for affordable housing across Wales. In this option, this would provide £8,609,555 for new build in Flintshire (and £25m for WHQS).
- 3.09 The third option is for those councils who had submitted plans for new build to receive 50% of the amount they had planned to borrow, with the remainder being split across all 11 councils on the basis of the SHG formulae. This would provide Flintshire with £14, 326,108 for new build (and £25m for WHQS).

In all these options WG propose leaving a contingency of c£5m for distribution later by an unspecified method.

- 3.10 Flintshire Council elected members have been working closely with colleagues in other authorities, and with WLGA, and a consensus has been reached to recommend option 3 for distribution of the borrowing cap. Consensus is vital as all 11 councils need to sign the voluntary agreement for self financing to take effect from 1st April 2015.
- 3.11 Flintshire's response to the consultation document is attached at Appendix B. This needed to be submitted ahead of cabinet meeting. Cabinet were supportive of the response and Housing Scrutiny Committee were happy to recommend option 3.

4.00 RECOMMENDATIONS

- 4.01 That scrutiny note and support the Flintshire response to the HRAS consultation document.

5.00 FINANCIAL IMPLICATIONS

- 5.01 Self financing will introduce a number of freedoms for councils, including much greater self determination for the long term planning for investment in council housing services.
- 5.02 Should the proposals supported in this paper for the distribution of the settlement amount and distribution of the borrowing cap be agreed, then Flintshire Council will benefit from increased revenue annual to achieve stock investment and service plan priorities and it will be able to commence a new build housing programme.

6.00 ANTI POVERTY IMPACT

6.01 Exiting the HRA subsidy system will provide resources to continue to target those most in need.

7.00 ENVIRONMENTAL IMPACT

7.01 Delivery of the WHQS programme will support the council's improvement objective to address fuel poverty and will support reductions in Co2 emissions.

8.00 EQUALITIES IMPACT

8.01 None directly arising from this report.

9.00 PERSONNEL IMPLICATIONS

9.01 Exiting the subsidy system by voluntary agreement will require a significant new (additional) workload in 2014. This may require additional finance capacity in Housing for 12 months.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 Meetings have been held with both the Scrutiny Committee and Tenants Federation who are supportive of the councils response to the consultation document.

12.00 APPENDICES

12.01 Appendix A – Consultation document.

12.02 Appendix B – Consultation response.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None.

Contact Officer: Clare Budden
Telephone: 01352 703800
Email: clare.budden@flintshire.gov.uk

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Consultation Paper

New Local Housing Authority Self-Financing System (HRAS Reform)

The distribution of the Settlement Value of HRAS buy-out and the Housing Related Borrowing Cap for individual Stock Retaining Local Housing Authorities

Background

The Welsh Government has been in discussions with HM Treasury since 2010 with a view to agreeing a financial settlement that would enable the eleven stock retaining local housing authorities (LHAs) to exit from the Housing Revenue Account Subsidy (HRAS) system.

The Welsh Ministers were pleased to announce in June 2013 that an agreement had been reached with HM Treasury, which together with the introduction of new self-financing arrangements is expected to generate revenue savings for the eleven LHAs each year. This will allow LHAs to increase their investment in their existing stock and, where possible, support the delivery of additional housing supply. Some LHAs could bring forward improvement works to their properties to meet the Welsh Housing Quality Standard (WHQS) which will bring real and tangible benefits to their tenants.

Key elements of the agreement are that:

- LHAs are required to buy themselves out of the HRAS;
- The £73m of annual negative subsidy payments will be replaced by interest payments of approximately £40m. This will satisfy HM Treasury's requirement that the agreement is fiscally neutral over the longer term;
- The £40m annual interest payments will be converted to a lump sum settlement value a short period before the agreed implementation date. This will enable LHAs to consider their borrowing requirements in accordance with their local Treasury Management Strategy, to meet current business plan commitments and provide flexibility for LHAs to determine the type and period of loan.
- In order to fund the buy-out, Treasury require LHAs to borrow from the Public Works Loans Board (PWLB). Failure to comply with this will result in sanctions by Treasury. This will mean the Welsh Budget will be reduced and the reduction passed on to each LHA as appropriate. Interest payments made to the PWLB are effectively received by the exchequer;
- HM Treasury requires a housing related borrowing cap to be imposed on each LHA in order to control public sector borrowing.

The Welsh Government has worked closely with HM Treasury to identify timescales for implementation and the appropriate legislative mechanism for the setting of housing related borrowing cap. HM Treasury has advised that the borrowing cap requires UK legislation and is bringing forward provisions within an appropriate UK Bill. If provisions within the UK primary legislation is not in place HM, Treasury have agreed that Wales can exit from the HRAS system in March 2015 on condition that

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Welsh Government secures and manages the borrowing cap as part of a voluntary agreement with all eleven LHAs.

Legislative Background

Housing (Wales) Bill

The Minister for Housing and Regeneration introduced the Housing (Wales) Bill to the National Assembly for Wales in November 2013. The Bill is currently at Stage 2 of the scrutiny process during which the Communities, Equality and Local Government (CELG) Committee will consider, and vote upon, both Government and non-Government amendments to the Bill.

The provisions in Part 5, Housing Finance will, subject to scrutiny, provide:

- for the Welsh Ministers to make a determination providing for the calculation of the settlement payment that each LHA will be required to pay in order to exit HRAS.
- for the determination to be revised only in the event that there has been an error or change in any matter that was taken into account in the original calculation or determination.
- for the Welsh Ministers to determine the timescales and processes that LHAs will need to follow in order to exit HRAS;
- for LHAs to be required to respond to requests for information; and
- for the existing legislation which supports HRAS system to be repealed.

The provisions in Part 5 may be amended

The provisions in Part 4, Standards for Social Housing will, subject to scrutiny, provide for the Welsh Ministers to:

- set standards to be met by LHAs in connection with the quality of accommodation provided by LHAs and the rent and service charges for such accommodation.
- to issue guidance that relates to, and amplifies, the standard.
- consult with bodies representing the interests of LHAs, tenants and other persons Welsh Ministers consider appropriate when setting, revising, or withdrawing standards and related guidance; and
- have powers of intervention where a LHA has failed, or is likely to fail, to meet the quality of accommodation standard.

The provisions in Part 4 may be amended

The Housing (Wales) Bill, explanatory memorandum and the record of passage through the National Assembly for Wales can be found at:

<http://www.senedd.assemblywales.org/mglIssueHistoryHome.aspx?lId=8220>

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Wales Bill

The Secretary of State for Wales published a draft Wales Bill in December 2013. The draft Bill was subject to pre introduction scrutiny by the Welsh Affairs Committee. The Committee reported in March 2014. The UK Government introduced the Wales Bill (along with explanatory notes and the Financial Empowerment and Accountability Command Paper) on 20 March 2014. The provisions in clause 23, provide:

- for UK Ministers to set the maximum amount of housing debt that can be held, in aggregate, by LHAs in Wales;
- for Welsh Ministers to determine the amount of housing debt that is to be treated as held by each LHA, and the maximum amount of housing debt that each LHA may hold;
- powers for Welsh Ministers to obtain such information as Welsh Ministers may specify either generally, or in a particular case, from LHAs to enable them to exercise their functions above.

The Wales Bill, explanatory notes and details of progress of the Bill through Parliament can be found at:

<http://services.parliament.uk/bills/2013-14/wales.html>

Voluntary Agreement

As the timescales for UK Legislation were unclear, HM Treasury agreed that the 11 Welsh LHAs could exit the HRAS system in March 2015, subject to the Welsh Government securing and managing a borrowing cap through a voluntary agreement between each of the eleven LHAs and Welsh Ministers.

The powers for Welsh Ministers and a LHA to enter into a voluntary agreement are provided in section 80B of the Local Government and Housing Act 1989.

It is essential that all eleven LHAs agree and sign the voluntary agreement. Failure to do so will result in the HRAS remaining in place in Wales until appropriate UK legislation is passed. This means that at least £73 million will continue to be paid back to HM Treasury each year.

The voluntary agreement will act as an interim arrangement until the Wales Bill comes into force and as a fall-back position should the Wales Bill fall for whatever reason. Once the Wales Bill receives Royal Assent and the appropriate provisions are commenced Treasury will need to issue a determination to the Welsh Ministers which will set the macro borrowing cap for Wales. This will enable the Welsh Ministers, subject to consultation, to issue a determination to LHAs which will set the borrowing cap for each LA. There is the potential for the legislative process to replace the need for a voluntary agreement.

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Welsh Government Priorities

The Welsh Government believes that everyone in Wales should have the opportunity to live in a good quality home within a safe and secure community.

The Welsh Government is committed to ensuring that all LHAs meet the WHQS by 2020 and has worked closely with LHAs to ensure that their business plans demonstrate that they will meet this target date. LHAs must be able to have access to sufficient borrowing to enable them to meet WHQS by 2020.

The Housing (Wales) Bill will, subject to scrutiny, will enable the existing WHQS guidance to be issued as guidance to the quality of accommodation standard for existing properties. Therefore the Bill will place the requirement for LHAs to meet and maintain the WHQS on a statutory basis for the first time.

The Welsh Government is also committed to increasing housing supply and supporting LHAs that wish to undertake new council house building. However, this should not be to the detriment of meeting WHQS

Governance Arrangements

The Welsh Government has put in place robust governance arrangements to manage and oversee the reforms. This comprises a steering group and four technical work-streams. One of the key responsibilities of the steering group is to make recommendations to the Minister for Housing and Regeneration on the methodology to be used for the distribution of the settlement value and the borrowing cap. The steering group includes representatives from LHAs, WLGA, Welsh Tenants, Wales Audit Office and Welsh Government.

The WLGA and LHA representatives on the steering group support and agree the inclusion of all the options within this consultation paper but have differing views on whether a preferred option should be identified.

In the interests of both landlords and tenants it is essential that agreement is reached on the distribution methodologies. This is necessary as the finally agreed methodologies will form the basis of the voluntary agreement that will need to be signed by all 11 LHAs. In light of this, the Welsh Government considers that Borrowing Cap Option 3 provides a compromise between those LHAs that have firm plans for new build while enabling the remaining LHAs the opportunity to consider their capacity for new build.

The Welsh Government therefore considers that the Settlement Value Option 1 and the Borrowing Cap Option 3 are the preferred options. The final distribution methodologies will be subject to consultation and agreement by the Minister for Housing and Regeneration.

Background

Welsh Government officials have worked closely with appropriate officials from LHA's since June to consider the principles that might underpin the distribution of a settlement figure and a borrowing cap.

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There was clear consensus that "***every stock retaining authority should be better off than the current position***". This includes not only the financial benefits from exiting HRAS but also the benefits of becoming self-financing. The Welsh Government and the steering group are committed to maintaining this as a key principle in the distribution arrangements.

The Directors of Housing and Chief Treasurers of the eleven stock retention authorities met and considered options for the distribution of both the settlement value and borrowing limits. They agreed that, although not perfect, the distribution of the settlement value based on negative subsidy values appeared to be the most pragmatic and transparent way forward.

Members of the steering group have worked closely together to model and consider a wide range of options for distribution of the borrowing cap. The group identified those options which were most suitable for further consideration and narrowed these down to those that should be subject to consultation.

When considering the options which are set out in the following part of this consultation paper, it should be noted that the accounting work-stream, the transaction and debt work-stream and the capacity building work-stream will jointly be considering a range of financial and accounting matters and related guidance which will inform the development of financially sustainable business plans following the buy-out and implementation of the new self-financing arrangements. These matters include, but are not limited to, depreciation, minimum revenue provision, treatment of capital receipts and loan pooling arrangements. The work-streams will also be developing new business plan guidance and parameters and these will be made available to LHAs in due course.

It should be noted that all figures contained within the options and the statistics within this consultation paper are illustrative and remain subject to change for a number of reasons before the final settlement date.

The final figures and methodology will be subject to agreement by the Minister for Housing and Regeneration.

Exiting from the HRAS system: The Agreement with HM Treasury

The agreement with HM Treasury, which will allow authorities to exit from the HRAS system and become self financing from April 2015 consists of two parts.

Firstly, the eleven stock retaining authorities are required to buy themselves out of the existing HRAS. The agreement is based on £40m interest payments which will replace the existing negative subsidy payment of £73m. The £40m interest will be converted to a buy-out lump-sum (settlement value) a short period before an agreed settlement date and authorities will be required to take out loans with the PWLB to fund the buy-out. This will result in all authorities being better off under self financing.

The second part of the agreement is that HM Treasury require a housing borrowing cap to be set for each of the eleven authorities.

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A borrowing cap of £1.85 billion was agreed with HM Treasury in June 2013. The cap includes the estimated Housing Revenue Account capital finance requirement (HRA CFR) and the estimated settlement value. This leaves potential borrowing headroom of £471 million for authorities to meet their business plan commitments. All estimated figures are subject to change as the HRA CFR will need to be updated¹ and the settlement value will be based on prevailing interest rates when the £40 million is converted to a settlement buy-out value.

Should the figures change significantly it is possible that the headroom will be reduced below £471 million. In the event that the borrowing required by LHAs exceeds the headroom, in order to protect investment in WHQS, the first call will be to reduce the borrowing available for new build.

This consultation considers how the settlement value and the potential borrowing headroom should be distributed given that LHAs need to be able to access sufficient borrowing to enable them to meet WHQS by 2020.

Key Information

The information in Table 1 below has been obtained from each LHA as part of their application for Major Repairs Allowance for 2014/15 and from their Housing Revenue Account (HRA) Business Plan which was submitted to Welsh Government in December 2013. The Welsh Government carried out a further exercise to obtain confirmation from each LHA on the accuracy of the figures below.

Table 1: Stock numbers, WHQS status and estimated borrowing requirement:

Local Housing Authority	Stock at Dec ² 2013	Met WHQS	Expected to achieve WHQS		Estimated Borrowing Requirement		
			Month	Year	To meet WHQS	For New Build	Total
					£m	£m	£m
Cardiff	13,730	Yes				40.0	40.0
Anglesey	3,802	Yes				21.4	21.4
Pembrokeshire	5,663	Yes				26.0	26.0
Denbighshire	3,454		December	2014	19.6		19.6
Carmarthenshire	9,009		March	2015	14.4		14.4
Vale of Glamorgan	3,940		March	2017	33.9		33.9
Powys	5,419		March	2018	18.2		18.2
Caerphilly	10,900		March	2020	55.0		55.0
Wrexham	11,292		December	2020	118.0		118.0
Swansea	13,590		December	2020	74.0		74.0
Flintshire	7,236		December	2020	25.0	20.0	45.0

¹ The proposed date of the HRA CFR will be considered by the accounting work-stream, be subject to discussion with Wales Audit Office and approved by the Minister for Housing and Regeneration.

² Stock numbers for tenanted properties obtained from HRA Business Plan submitted December 2013

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All Wales Borrowing Requirement		358.1	107.4	465.5
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The Settlement Value and its Distribution

In order to allow Wales to exit the HRAS system, HM Treasury required LHAs to "buy-out" of the system at a settlement figure that is fiscally neutral to the UK Government. The agreement is based on £40m interest payments which will be converted to a lump-sum (settlement value) a short period before an agreed settlement date. The estimated settlement value is considered to be in the region of £919.5 million, which has been used for modelling purposes. HM Treasury requires local authorities to fund the "buy-out" by borrowing from the Public Works Loans Board (PWLB).

Options for distribution of the Settlement Value

Settlement Value Option 1 - To distribute the settlement value based on negative HRA subsidy amounts

Local Housing Authority	HRAS settlement amounts (1)	Share of annual interest (2)	Reduction	Reduction	Share of estimated settlement value (3)
	£	£	£	%	£
Isle of Anglesey	1,695,873	930,779	765,094	45.12	21,396,292
Caerphilly	5,978,361	3,281,222	2,697,139	45.12	75,427,087
Cardiff	15,095,807	8,285,330	6,810,477	45.12	190,459,015
Carmarthenshire	6,234,522	3,421,816	2,812,706	45.12	78,658,989
Denbighshire	3,105,081	1,704,223	1,400,858	45.12	39,175,823
Flintshire	6,324,826	3,471,379	2,853,447	45.12	79,798,326
Pembrokeshire	6,373,758	3,498,235	2,875,523	45.12	80,415,686
Powys	5,660,823	3,106,941	2,553,882	45.12	71,420,811
Swansea	5,789,100	3,177,346	2,611,754	45.12	73,039,241
The Vale Of Glamorgan	5,011,706	2,750,673	2,261,033	45.12	63,231,107
Wrexham	11,609,836	6,372,055	5,237,781	45.12	146,477,623
	72,879,693	40,000,000	32,879,693		919,500,000

Notes:

- (1) HRAS settlement amounts obtained from 2013/14 HRAS 2nd estimate claims HRAS 13-02(W)
- (2) Interest payments of circa. £40m required as part of the agreement with Treasury
- (3) Estimated settlement value based on PWLB 30 year Maturity rate at 12 March 2013 of 4.35%

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Advantages

- Every LHA would be better off in revenue terms when compared to the existing HRAS subsidy payments
- The method is as transparent and simple as possible given the inherent complexities of the existing HRAS system
- Each LHA has the same percentage reduction when comparing their existing HRAS amount to their share of the £40m
- Would be relatively straightforward to explain to tenants and members
- Would not replace one complex formula with another

Disadvantages

- Reflects the current and complex HRA subsidy system but some might argue that the current system is not fair
- There is no link to the current condition of the housing stock
- There is no link to the resources required to meet and maintain WHQS
- There is no link to housing supply or demand

Other Options Considered

The other option considered for the distribution of the settlement value was to base it on the stock numbers for each LHA. While this appeared to be a simple and transparent methodology, the results of the modelling showed that two authorities would be expected to pay more in annual interest payments than they currently pay in negative subsidy payments. This option was therefore disregarded on the basis it did not result in every stock retaining authority being better off than within the subsidy system.

Summary

The Welsh Government considers that Settlement Value Option 1 is the preferred option. The final decision will be subject to consultation and agreement by the Minister for Housing and Regeneration.

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Options for distributing the Borrowing Cap

Borrowing Cap Option 1 - To distribute the borrowing headroom based on information submitted by each LHA to the Welsh Government in support of their HRA Business Plan for their 2014/15 application for MRA

	Borrowing Cap Allocation			% share of Borrowing
	WHQS	New Build	Total borrowing allocation	
	£	£	£	%
Anglesey	0	21,400,000	21,400,000	4.5
Caerphilly	55,000,000	0	55,000,000	11.7
Cardiff	0	40,000,000	40,000,000	8.5
Carmarthenshire	14,400,000	0	14,400,000	3.1
Denbighshire	19,600,000	0	19,600,000	4.2
Flintshire	25,000,000	20,000,000	45,000,000	9.6
Pembrokeshire	0	26,000,000	26,000,000	5.5
Powys	18,200,000	0	18,200,000	3.9
Swansea	74,000,000	0	74,000,000	15.7
Vale Of Glamorgan	33,900,000	0	33,900,000	7.2
Wrexham	118,000,000	0	118,000,000	25.0
	358,100,000	107,400,000	465,500,000	
Contingency to be retained by Welsh Government	5,585,263		5,585,263	1.2
All Wales	363,685,263	107,400,000	471,085,263	100.0

It is assumed that the information submitted by each LHA reflects what each can "afford" to borrow.

It is further proposed that any balance, between the borrowing requirement identified by authorities and the total borrowing cap, should be retained by the Welsh Government as a contingency (see section on Flexibility below).

Advantages

- Prioritises WHQS by ensuring that LHAs have access to sufficient borrowing to enable them to meet WHQS by 2020.
- Provides access to sufficient borrowing to those LHAs that have included proposals for new build within their existing business plans.

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Disadvantages

- Does not reflect housing need or demand.
- Does not allocate any borrowing headroom to the 7 authorities who have not included new build proposals in their latest business plan.

Borrowing Cap Option 2 - To base the distribution of the borrowing headroom on prioritising WHQS and applying a modified Social Housing Grant (SHG) formula using household projections and affordability index

The illustrative figures are broken down into borrowing required to meet WHQS and borrowing available for new build. This approach uses official Welsh Government statistics and utilises the most recent data for median incomes and median house prices to create an affordability ratio and combines it with household projections. This data is used to calculate the housing need element of the formula that is used by Welsh Government to distribute SHG to Local Authorities.

	Borrowing Cap Allocation			% share of Borrowing
	WHQS	Allocation based on modified SHG ³	Total borrowing allocation	
Authority	£	£	£	
Anglesey	0	4,696,259	4,696,259	1.0
Caerphilly	55,000,000	8,569,648	63,569,648	13.5
Cardiff	0	22,245,524	22,245,524	4.7
Carmarthenshire	14,400,000	9,924,527	24,324,527	5.2
Denbighshire	19,600,000	5,711,302	25,311,302	5.4
Flintshire	25,000,000	8,609,555	33,609,555	7.1
Pembrokeshire	0	8,350,797	8,350,797	1.8
Powys	18,200,000	10,655,999	28,855,999	6.1
Swansea	74,000,000	13,514,579	87,514,579	18.6
Vale Of Glamorgan	33,900,000	8,214,191	42,114,191	8.9
Wrexham	118,000,000	7,492,881	125,492,881	26.6
Total	358,100,000	107,985,263	466,085,263	
Contingency to be retained by Welsh Government	5,000,000		5,000,000	1.1

³ Based on:
 2011 Household Projections published by the Welsh Government
 Median Gross Weekly Pay 2013 Resident Analysis published by ONS and
 Median House Prices 2011 published by HM Land Registry

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All Wales	363,100,000	107,985,263	471,085,263	100.0
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Advantages

- Prioritises WHQS by ensuring that LHAs have access to sufficient borrowing to enable them to meet WHQS by 2020.
- Provides all LHAs with “notional borrowing headroom” to enable them to consider proposals for new build, if affordable within their business plans.
- Distributes borrowing cap headroom after WHQS by an objective measure that is a reasonable proxy for housing need.
- This formula could be applied as and when Treasury agree an uplift to the macro borrowing cap for Wales.

Disadvantages

- Does not provide for the level of new build that is currently included within the business plans for four LHAs.
- Could be perceived to disadvantage those that have met WHQS.
- LHA may not be able to use full borrowing capacity to build by 2018.

Borrowing Cap Option 3 - To base the distribution of the borrowing headroom on prioritising WHQS, 4 LHAs receiving 50% of their new build request with balance allocated to 11 LHAs on an indicative basis using the modified SHG formula.

The illustrative figures are broken down into borrowing required to meet WHQS and borrowing available for new build based on 50% of the figures 4 LHAs requested for new build with the balance being distributed across all 11 LHAs. The latter distribution uses official Welsh Government statistics and utilises the most recent data for median incomes and median house prices to create an affordability ratio and combines it with household projections. This data is used to calculate the housing need element of the formula that is used by Welsh Government to distribute SHG to Local Authorities.

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	Borrowing Cap Allocation				
	WHQS	50% of new build requested	Allocation based on modified SHG ⁴	Total borrowing allocation	% share of Borrowing
Authority	£	£		£	
Anglesey	0	10,700,000	2,360,856	13,060,856	2.8
Caerphilly	55,000,000		4,308,047	59,308,047	12.6
Cardiff	0	20,000,000	11,183,046	31,183,046	6.6
Carmarthenshire	14,400,000		4,989,158	19,389,158	4.1
Denbighshire	19,600,000		2,871,128	22,471,128	4.8
Flintshire	25,000,000	10,000,000	4,328,108	39,328,108	8.3
Pembrokeshire	0	13,000,000	4,198,028	17,198,028	3.7
Powys	18,200,000		5,356,877	23,556,877	5.
Swansea	74,000,000		6,793,913	80,793,913	17.2
Vale Of Glamorgan	33,900,000		4,129,355	38,029,355	8.1
Wrexham	118,000,000		3,766,746	121,766,746	25.8
Total	358,100,000	53,700,000	54,285,263	466,085,263	
Contingency to be retained by Welsh Government	5,000,000			5,000,000	1.1
All Wales	358,100,000	107,985,263		471,085,263	100.0

Advantages

- Prioritises WHQS by ensuring that LHAs have access to sufficient borrowing to enable them to meet WHQS by 2020.
- Provides those LHAs with a percentage share of the borrowing capacity they requested for new build to ensure part of their new build plans are deliverable.
- Provides all LHAs with an "indicative allocation" of borrowing headroom for new build, if affordable within their business plans.
- Distributes remaining borrowing cap headroom after WHQS and initial proportion for new build by an objective measure that is a reasonable proxy for housing need.
- This latter formula could be applied as and when Treasury agree to uplift to the macro borrowing cap for Wales.

⁴ Based on:
 2011 Household Projections published by the Welsh Government
 Median Gross Weekly Pay 2013 Resident Analysis published by ONS and
 Median House Prices 2011 published by HM Land Registry

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Disadvantages

- Does not provide for the level of new build that is currently included within the business plans for four LHAs.
- Could be perceived to disadvantage those that have met WHQS.
- LHA may not be able to use full borrowing capacity to build by 2018.

Summary

A summary of the borrowing capacity that each LHA would obtain from each of the options and the difference between the borrowing capacity each LHA requested and the outcome of options 2 and 3 are shown below:

	Outcome Option 1	Outcome Option 2	Difference between Options 1 and 2	Outcome Option 3	Difference between Options 1 and 3
Authority	£	£	£	£	£
Anglesey	21,400,000	4,696,259	-16,703,741	13,060,856	-8,339,144
Caerphilly	55,000,000	63,569,648	8,569,648	59,308,047	4,308,047
Cardiff	40,000,000	22,245,524	-17,754,476	31,183,046	-8,816,954
Carmarthenshire	14,400,000	24,324,527	9,924,527	19,389,158	4,989,158
Denbighshire	19,600,000	25,311,302	5,711,302	22,471,128	2,871,128
Flintshire	45,000,000	33,609,555	-11,390,445	39,328,108	-5,671,892
Pembrokeshire	26,000,000	8,350,797	-17,649,203	17,198,028	-8,801,972
Powys	18,200,000	28,855,999	10,655,999	23,556,877	5,356,877
Swansea	74,000,000	87,514,579	13,514,579	80,793,913	6,793,913
Vale Of Glamorgan	33,900,000	42,114,191	8,214,191	38,029,355	4,129,355
Wrexham	118,000,000	125,492,881	7,492,881	121,766,746	3,766,746
Total	465,500,000	466,085,263		466,085,263	
Held by WG for future distribution	5,585,263	5,000,000		5,000,000	
All Wales	471,085,263	471,085,263		471,085,263	

Option 1 should be regarded as the baseline as this is what each LHA identified as the borrowing capacity they each required to meet their business plan commitments at a certain point in time. Earlier versions of this data were used to form the basis for the calculation of the borrowing cap and for agreement with Treasury.

Steering group members noted that, for a range of reasons, not all LHAs had included plans for new build in the data submitted to Welsh Government and there were also concerns about whether the data was based on consistent assumptions.

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Therefore some members of the steering group felt that option 1 would not be considered fair and equitable to all LHAs.

Option 2 prioritises the borrowing each LHA requires to meet WHQS in the first instance. The balance of the borrowing capacity is then distributed using the modified SHG statistical formula and provides borrowing capacity to all 11 LHAs. As can be seen, this creates significant differences, particularly for the 4 LHAs that have consistently requested capacity for new build and have developed firm plans for new homes to be built or to demolish and re-develop some of their existing stock. Steering group members recognise that developing plans for new build is a lengthy process and will depend on for example housing need, the availability of land, planning consents and appointment of contractors etc.

It is also possible that some LHAs may not wish to consider new build within the next few years. Alternatively the borrowing capacity under this option may not be "affordable" within the business plan for a LHA.

Some members of the steering group felt that there was a need to match the distribution of the borrowing cap with outcomes and deliverability. Option 2 would not provide 4 LHAs with sufficient borrowing capacity to meet their existing plans for development. It was also noted that the borrowing capacity may not be maximised as some LHAs may not wish or be able to utilise their allocated borrowing cap.

It was therefore considered necessary to develop an option that would provide a compromise that could be supported by all 11 LHAs which appear to fall within two groups, those with firm plans for new build and those that only submitted figures for WHQS for various reasons.

The steering group members were keen to strike a balance between ensuring that the distribution methodology for the borrowing cap could be regarded as fair and equitable to all LHAs whilst ensuring the deliverability of new build plans.

Option 3 again prioritises borrowing for WHQS. It then provides a percentage share of the borrowing 4 LHAs identified as required for new build and distributes the balance to all 11 LHAs on an indicative basis using the modified SHG statistical formula which was used for option 2. The modelling for this option is based on the 4 LHAs receiving a 50% share of the new build capacity they require.

There has been significant discussion as to the potential for future flexibility in the distribution of the borrowing cap as it is considered important that borrowing capability should be fully utilised where possible. However it is also recognised that this should not negate the enormous benefit of self-financing and moving away from annual announcements which will provide LHAs the ability to plan over the medium to longer term and deliver and measure key outcomes and outputs. It is expected that any change to a LHA's borrowing cap, whether temporary or permanent, would need to be accounted for within "a Limit on Indebtedness Determination", subject to the Wales Bill coming into force.

The steering group noted that the flexible approach would need to be taken during both the initial setting of the borrowing cap and during any future reviews and recommended that a review of the borrowing cap should be undertaken every 3

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years, starting in 2018. This periodic review would apply regardless of what option is taken forward.

The Welsh Government are seeking to ensure that the methodology to be applied to the borrowing cap will distribute borrowing capacity to where it can be fully utilised by achieving WHQS and maximising the delivery of new housing supply. It is therefore important that each LHA is realistic about its ability to use their "indicative allocation" by 2018 which will be reflected in its submission to the Welsh Government in October 2014.

One of the consultation questions is seeking views on what sanctions could be used by Welsh Government in the event that there is a significant difference between the LHA's borrowing capacity and what it has utilised. However, if sanctions were to be applied then provision will need to allow for further flexibility during the period prior to the 2018/19 review. This should be on an "exceptional basis" but would enable a LHA to advise the Welsh Government where it is unable to use their borrowing capacity for whatever reason. This surplus borrowing capacity could then be re-distributed to a LHA e.g. those with shovel ready schemes. It is expected that this type of flexibility which would result in the transfer of borrowing capacity from one LHA to another would require a revised "Limit on Indebtedness Determination" to be issued.

The Welsh Government considers that Borrowing Cap Option 3 is the preferred option. The final decision will be subject to consultation and agreement by the Minister for Housing and Regeneration. Option 3 is supported by the following process:

- Each LHA will be allocated an "indicative allocation" of the borrowing headroom" under the methodology set out in option 3.
- Each LHA will need to advise the Welsh Government by end of October 2014 on whether they will take up their "indicative allocation" for new build up until March 2018.
- If a LHA wishes to take up their "indicative allocation ", the LHA will need to submit proposals to the Welsh Government by end of October 2014 which sets out how and when they could utilise this for new build and whether this together with their allocation for WHQS and % share for new build was "affordable" within the business plan.
- The LHA's submission will need to set out whether land has been identified, an assessment of housing need, the number and type of properties to be developed, timescales for development (up to 2018) and any potential barriers to deliverability.
- As part of the submission, each LHA to advise if they could afford to, and wish to, take on any further borrowing capacity over and above their "indicative allocation" and, if agreed, what additional units could be delivered and whether these would be shovel ready.

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- Where a LHA is not able, or does not wish, to utilise their “indicative allocation” for new build, this could be re-distributed to those LHAs that wished to take on further borrowing capacity. This could either be re-distributed to those LHAs that have indicated they could deliver more units or to all remaining LHAs using the modified SHG formula.
- Exceptional arrangements will be introduced to enable a LHA that is not able to fully utilise its “actual allocation” of the borrowing cap before March 2018 to notify the Welsh Government and the surplus borrowing capacity will be re-allocated to LHAs.
- New systems and processes need to be developed to allow for the annual monitoring of compliance with the borrowing cap. This work will be undertaken by one of the work-streams and will consider the data that will need to be gathered by, and collected from, LHAs on what has been delivered in terms of all key outcomes and outputs. This is expected to cover all aspects including achievement and ongoing maintenance of WHQS, re-modelling of existing schemes, regeneration and the development of new properties etc. The work-stream will also be looking at ways of collecting data on the community benefits that are achieved and can be evidenced by LHAs in respect of tackling poverty, jobs and growth, apprenticeships, workless households (LIFT project) etc.
- The borrowing cap will be subject to review every three years with the first review being undertaken during 2018/19. Where a LHA makes a decision not to take up their “indicative allocation of the borrowing cap” for new build under this first distribution, this period of review will enable them to develop new build proposals to feed into the 2018/19 review. LHAs may also be able to develop new build from existing resources or any revenue savings arising from exiting the HRAS system.

Other options considered and reasons for being disregarded

Members of the steering group carried out extensive modelling, and considered the outputs, for the distribution of the borrowing cap which reflected both prioritising and not prioritising the borrowing each LHA requires enabling them to meet WHQS. Where borrowing for WHQS was not prioritised within the modelling, in each case, there were between 3 and 6 LHAs that would not receive enough borrowing capacity to enable them to achieve WHQS by 2020. Since this is a shared Welsh Government and Local Government priority and is to be made a statutory obligation, all options where the borrowing required for WHQS was not prioritised were disregarded.

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The options that were considered and which prioritised borrowing capacity for WHQS together with the reason why each option was disregarded are set out in the table below:

Modelled by:	Reason for being disregarded
Data provided by LHAs in response to the Welsh Government's request in July 2013	This data was no longer current as LHAs recently submitted updated data to the Welsh Government (see Option 1)
Existing housing stock /dwelling numbers	Since the borrowing capacity required to achieve WHQS has been prioritised then the existing stock numbers has no bearing on the borrowing capacity required for future new build plans
Housing projection figures for 2020 (published 2011)	The outputs were very similar to the outputs from the modified SHG formula which the steering group considered was a more objective measure and a reasonable proxy for housing need and affordability (see Option 2)
Housing projection figures by the change in housing projections from 2013 to 2020	While this was based on the change in household projections over time, the time period involved was considered too small to be a robust measure of the typical change over a 30 year business planning period.
Each LHA receiving the same percentage headroom over and above the sum of their existing debt plus the settlement figure	This did not reflect future housing need and may also amplify any issues with the distribution of the settlement amount
Each LA receiving the same value headroom (an equal share)	This does not reflect the differences between authorities in terms of size and housing need
Distributing based on current negative subsidy settlement value	This does not reflect future housing need and may also continue any inequalities inherent within the current subsidy system.
Allocating a percentage share to those LHAs that identified a requirement for new build with the balance being distributed to the 7 remaining LHAs using the modified SHG formula	The further modification of the SHG formula to only allocate borrowing capacity to 7 out of the 11 LHAs could impact upon weighting and was not considered to be equitable and fair to all. The setting aside of a percentage for the 4 LHAs for new build and distributing the balance to all 11 LHAs was considered an appropriate compromise option which could be supported by all LHAs (see Option 3)

Contingency and Future Distribution of the Borrowing Cap

The setting of a housing related borrowing cap for each LHA is a Treasury requirement and is new to Wales. As part of the agreement for LHAs to exit the HRAS system Treasury has advised that any breach of the borrowing cap would be supported by sanctions. This means that, in the event that the borrowing cap is breached, Treasury would make a compensatory reduction to the Welsh Government Budget which would be passed on to LHA(s) accordingly. Therefore it is in all of our interest to ensure that the borrowing cap is maintained.

The Welsh Government propose the setting aside of a small part of the borrowing cap as a contingency in the first instance. The amount included in the options is approximately £5 million. This contingency will help to safeguard Welsh Budgets whilst the Welsh Government and LHAs adjust to the new borrowing cap arrangements. Whilst this contingency could provide LHAs with access to additional borrowing in the event of an emergency or a change in circumstances it is expected that LHAs will have prudent plans in place to enable them to act in the event of an emergency

The Welsh Government are currently in discussion with Treasury to ensure that there is equity between LHAs in England and Wales in that any increase to the borrowing cap in England should be replicated in Wales.

This consultation is aiming to identify the methodology that will be used in the setting of the initial borrowing cap for each LHA. Subject to the analysis of consultation responses, and Ministerial agreement, it is the expectation that a defined methodology will be identified.

In the event that Treasury does agree to uplift the borrowing cap, it may be possible for such an amount to be distributed using the defined methodology that arises from this consultation process.

Consultation Questions:

- 1 Do you agree with the proposal to distribute the settlement value based on negative subsidy amounts?**
- 2 Do you agree with the proposal to distribute the borrowing cap based upon option 3 to allow for new build commitments whilst also providing potential headroom for new build to every local authority?**
- 3 Do you agree that the Welsh Government should retain a small proportion of the borrowing headroom as a contingency?**
- 4 What are your views on how we allocate any unallocated borrowing headroom now or in the future?**
- 5 Do you agree that the borrowing cap should be reviewed every three years with the 1st review in 2018/19?**
- 6 What action should the Welsh Government take on a LHA who has not delivered on their ability to utilise their borrowing cap?**
- 7 Do you have any further comments to make?**

Consultation Responses

This consultation is only relevant to the eleven stock retaining local housing authorities in Wales who are currently part of the existing Housing Revenue Account Subsidy system.

It would be appreciated if these eleven LHAs could respond to the questions as set out above and email the response to:

Jen Welsby at: Jen.welsby@wales.gsi.gov.uk

Anshu Verma at: Anshumail.verma@wales.gsi.gov.uk and

Michelle Herneman at: Michelle.herneman@wales.gis.gov.uk

by close of business Thursday 10 July 2014

If you have any queries please contact Jen Welsby on 0300 062 8161 or at jen.welsby@wales.gsi.gov.uk

Response to Consultation Document
New Local Authority Self Financing system
Flintshire County Council
10th July 2014

Consultation questions:

1. Do you agree with the proposal to distribute the settlement value based on negativity subsidy amounts?

Flintshire recognises that this potentially reinforces an imperfect historical system, but agrees that this is the fairest method for distribution.

2. Do you agree with the proposal to distribute the borrowing cap based upon Option 3 to allow for new build commitments whilst also providing potential headroom for new build to every authority?

Flintshire does support the proposal to use Option 3 to distribute the borrowing cap. Although this disadvantages Flintshire council where there are developed plans for new build it is recognised by the council as the fairest Option to allow some new build across all 11 councils.

3. Do you agree that the Welsh Government should retain a small proportion of the borrowing headroom as a contingency?

Flintshire council is not supportive of this proposal as it can see no clear rationale or advantage in doing so. We need to maximise the opportunity to meet local housing need.

4. What are your views on how we allocate any unallocated borrowing headroom now or in the future?

As above we do not support leaving any of the headroom unallocated. For the future we would like to see any new additional headroom negotiated based on business plan needs at that time.

5. Do you agree that the borrowing cap should be reviewed every three years with the first review in 2018/9?

Flintshire is agreeable for the cap being reviewed with WG, on the basis of a voluntary "offering up" of any spare capacity.

6. What action should WG take on a LHA who has not delivered on their ability to utilise their borrowing cap?

Flintshire believes that this should be negotiated through with the individual authority rather than there being a need for "sanctions". Each Local Authority is accountable to WG to meet both the WHQS standard and to deliver its

individual new build plans. Failure to achieve either in (a cost effective way and in) accordance with agreed timescales is already part of the annual MRA monitoring process and this will continue under self financing.

7. Any further comments

Flintshire is delighted that self financing can now be introduced in Wales and thanks the Welsh Government for leading this work. There are two further areas of strategic discussion and commitment/actions needed to safeguard business plans over the medium to long term. These are, the need for a clear understanding about the long term funding of MRA and an urgent need for a review of the Right to Buy. Councils all want to build but are concerned that the current suspension system does not provide sufficient safeguard to ensure that newly developed assets can be used in perpetuity to meet social housing need.

FLINTSHIRE COUNTY COUNCIL

REPORT TO: HOUSING OVERVIEW & SCRUTINY COMMITTEE

DATE: 7TH JULY 2014

REPORT BY: CHIEF OFFICER COMMUNITY AND ENTERPRISE

SUBJECT: STRATEGIC HOUSING AND REGENERATION PROGRAMME (INCLUDING FLINT)

1.00 PURPOSE OF REPORT

1.01 This report seeks scrutiny views on the commencement of early action (serving a PIN notice) to begin the procurement exercise to: progress the regeneration of Flint Town Centre and redevelopment of the cleared sites of the maisonettes, and to procure a development partner to deliver a council house building programme.

2.00 BACKGROUND

2.01 At cabinet in December 2011, a phased programme to empty and demolish the 214 Flint maisonettes was agreed. This was a key element in taking forward the delivery of the Town Centre master plan.

2.02 To date, there are only a small number of tenants and one home owner awaiting re-housing. Negotiations with the home owners are complete. Clwyd Alyn Housing Association who own 5 maisonettes are working in collaboration with the council to empty their properties and are seeking a land swap in lieu of any "cash payment" for the agreed value. The Chief Officer Community and Enterprise has delegated authority to resolve this.

2.03 Of those still requiring re housing 6 are waiting for the Wales and West apartments being built on the site of Flint house and due to be completed later this year. Of the remainder, most have been offered a property, leaving only a small number awaiting suitable offers. To date four of the 11 blocks have been demolished and it is expected that all sites can be cleared by Spring 2015.

2.04 Delivery of the master plan has been progressing well with a number of schemes already successfully completed. These include landscaping, retail unit improvements, development of Flint Flintshire Connects, new housing developments by Wales and West and Clwyd Alyn; work to create a social enterprise at the Old Court House, and significant work to bring a number of key empty properties back into use as high quality town centre living. The next stage is to move forward with the housing and other developments now being considered for the site of the maisonettes.

3.00 CONSIDERATIONS

- 3.01 Work has been ongoing for some time to develop options for the recognized need for the provision of extra care housing in the town and a preferred RSL partner has been chosen to take forward proposals for a new 60 plus bed scheme on the site of the maisonettes.
- 3.01 In addition, work has been underway to progress plans to provide a new primary health care centre in the town. BCU has stated a preference for this to be on the site of the Leas maisonettes. This would provide a strong connection between the retail park, leisure centre and Church street; assuming that the building can be of excellent design and sufficient height to occupy such a significant gate way site in the town?
- 3.02 A joint scheme between the chosen RSL and BCU is being explored which could create maximum impact on the site; and make best use of the land available.
- 3.03 Should this be deliverable then that would leave the whole of the Walks site for a new housing development? This could provide circa 100 new homes to the design previously agreed as part of the Housing design brief. This would be a mixed tenure development comprising circa 30 social rented homes, 60 for rent at affordable levels and 10 for Rent to Buy. In addition there may also be the potential to include the site of the courts and police station, (which is opposite Castle Heights). This could provide an extra 12 homes on a rent to buy basis.
- 3.04 Including the extra care scheme the total scheme could provide 170 new homes and a Primary Health care centre on what was the site originally for 214 homes. The tenure mix proposed, (including the extra care flats) would be:
- 90 Social Rented homes
 - 60 Affordable Rented Home
 - 22 Rent to Buy
- Should it not be possible to agree a joint scheme between BCU and the Housing Association then the total number of new homes provided would be severely restricted (the extra care scheme would take up virtually all of the Walks site), and this would affect the desire to develop a sustainable housing market of mixed tenure in the town centre. An alternative site for the Extra care scheme might need to be explored should this materialise.
- 3.05 Plans are also being developed to secure Eco funding for the High Rise blocks to improve their thermal efficiency, appearance and to enhance the life of the concrete. The ECO funding obligation on energy companies has been restricted by Central Government and there is concern that any significant schemes should be secured as soon as practicable. Subject to a suitable offer being secured following a tender exercise, then it is now

- planned, subject to budget approval, to bring forward the investment in the external works to the blocks starting later in 2014 and completing 3 blocks over 2-3 financial years.
- 3.06 There is evidence to support that the site would not be suitable for an open market housing scheme in the short to medium term, There is too much competition from large sites close by and although there is a desire to have a broader housing offer in the town centre the predominant need is for affordable housing. Soft market approaches have identified that a scheme of a total of circa 130 plus properties i.e. £13m in value would be advantageous to gain maximum economies of scale.
- 3.07 Soft market testing has been underway for the last 18 months reviewing and considering options and proposals to bring forward the development of the new homes needed. The next step in the process is to carry out formal consultation with the market, (serving a PIN notice), prior to seeking approval from cabinet to commence a procurement process in September 2014. The overarching commissioning objectives have been drafted and are attached to this report as Appendix A. In addition, Appendix B identifies a draft time line for the procurement, (subject to cabinet approval).
- 3.08 Council Housing programme
Proposals are now well advanced to introduce self financing for Council Housing replacing the Housing Revenue Account Subsidy system. Flintshire has identified a need and aspiration to build new council housing for many years and is confident that it will achieve a borrowing limit which will allow the council to meet the need for stock investment to achieve WHQS by 2020 **and** to commence a new council house building programme. Welsh Government and the Housing Minister are as anxious as the council to commence this programme as quickly as possible and the procurement process referred to in this report (and needed for Flint) is a timely opportunity to also include a 100 home council house development programme.
- 3.09 The HRA has a number of sites suitable for housing development. These include sites previously identifies as surplus, garage sites and other sites. There are also a number of sites in the ownership of the council fund where a need for housing development has been identified. These could be purchased by the HRA for development.
- 3.10 A review of the sites is currently underway, assessing suitability, housing need in that particular area and planning policy. The procurement process will take a minimum of nine months leaving the next 3-4 months to finalise sites, property type etc. What matters most for the procurement exercise at this stage is to give the market a guide on the total number of homes broadly.

- 3.11 Therefore in total, the council could be seeking a total development initially of some 200 plus homes, at various sites across the county. A development of this scale could be delivered by a number of procurement routes including the restricted tender procedure, competitive dialogue, a framework, land development agreement etc. A Prior Information Notice (PIN) is to be made week commencing 7th July to allow informal discussion with the market including potential developers and funders (for Flint). Following this exercise and receipt of feedback, then a formal decision will be made about the most appropriate procurement route.
- 3.12 Procurement will take some 9 months, (or potentially longer), depending on the chosen procurement method and resources available to manage the process; meaning that preferred partners could be appointed by March 2015. This allows for the earliest start on site (subject to planning permission) for any development to be Autumn 2015.

Any council homes developed will be owned and managed in the self financing HRA. Any homes developed for affordable rent or affordable purchase will be managed by NEW Homes, (with a view to them being purchased by this company longer term).

A programme team has been put in place led by a Programme Manager and including a procurement lead (appointed temporarily), and colleagues in legal, finance, planning, estates and valuations, housing and regeneration). The programme is sponsored by the CO Community and Enterprise.

While developers/funders are being appointed a review will be undertaken of the skills needed to take forward management of a new build construction programme, so that this is in place at the appropriate time. The council's project management system is being utilised to manage this programme. A comprehensive risk map and communications plan is also in place and reviewed regularly.

Conclusion

The council is now at a point to take forward some exciting new developments which will help it to meet key targets in its Housing Strategy to meet local housing need and key housing objectives in its 14/15 Improvement Plan.

4.00 RECOMMENDATIONS

4.01 Scrutiny is asked to:

- Support the proposals contained within this paper to take forward the procurement of new homes in Flint to replace the maisonettes and for small scale new development on other key council sites.

5.00 FINANCIAL IMPLICATIONS

Immediate financial implications are the costs of the procurement exercise. These can be met from existing capital programmes for the Council Fund and HRA 14/15 capital programmes. Costs will be apportioned on the basis of the beneficiary of the development.

Long term financial impacts would be the costs to develop new council housing which would be funded via HRA borrowing and programmes over the 2015-2020 years. A revised business plan is currently being developed for approval by cabinet in the Autumn and this means that the full financial implications can be modelled ahead of any formal appointment/commitment being made by the council. Finance costs will be met through rental income so the developments should be cost neutral, with new homes let at benchmark rents.

The remaining developments, circa 112 homes would be funded via private finance and the aim at this stage is that these would be “off balance sheet” for the council.

NEW Homes would receive a management fee for any homes it managed and would have a management lease in place with the council/Funder.

6.00 ANTI POVERTY IMPACT

6.01 The provision of new high quality homes will have a direct impact on the quality of life for local people. All rents will be affordable.

7.00 ENVIRONMENTAL IMPACT

7.01 All new homes developed and all those improved via Eco will be to high standards and will reduce energy costs for tenants and offer increased thermal efficiency.

8.00 EQUALITIES IMPACT

8.01 New homes developed will help meet the need for affordable housing.

9.00 PERSONNEL IMPLICATIONS

9.01 A Programme Manager has been appointed internally to lead this programme.

10.00 CONSULTATION REQUIRED

10.01 Detailed consultation will be required with local members, local stakeholders and residents prior to any schemes being taken forward.

11.00 CONSULTATION UNDERTAKEN

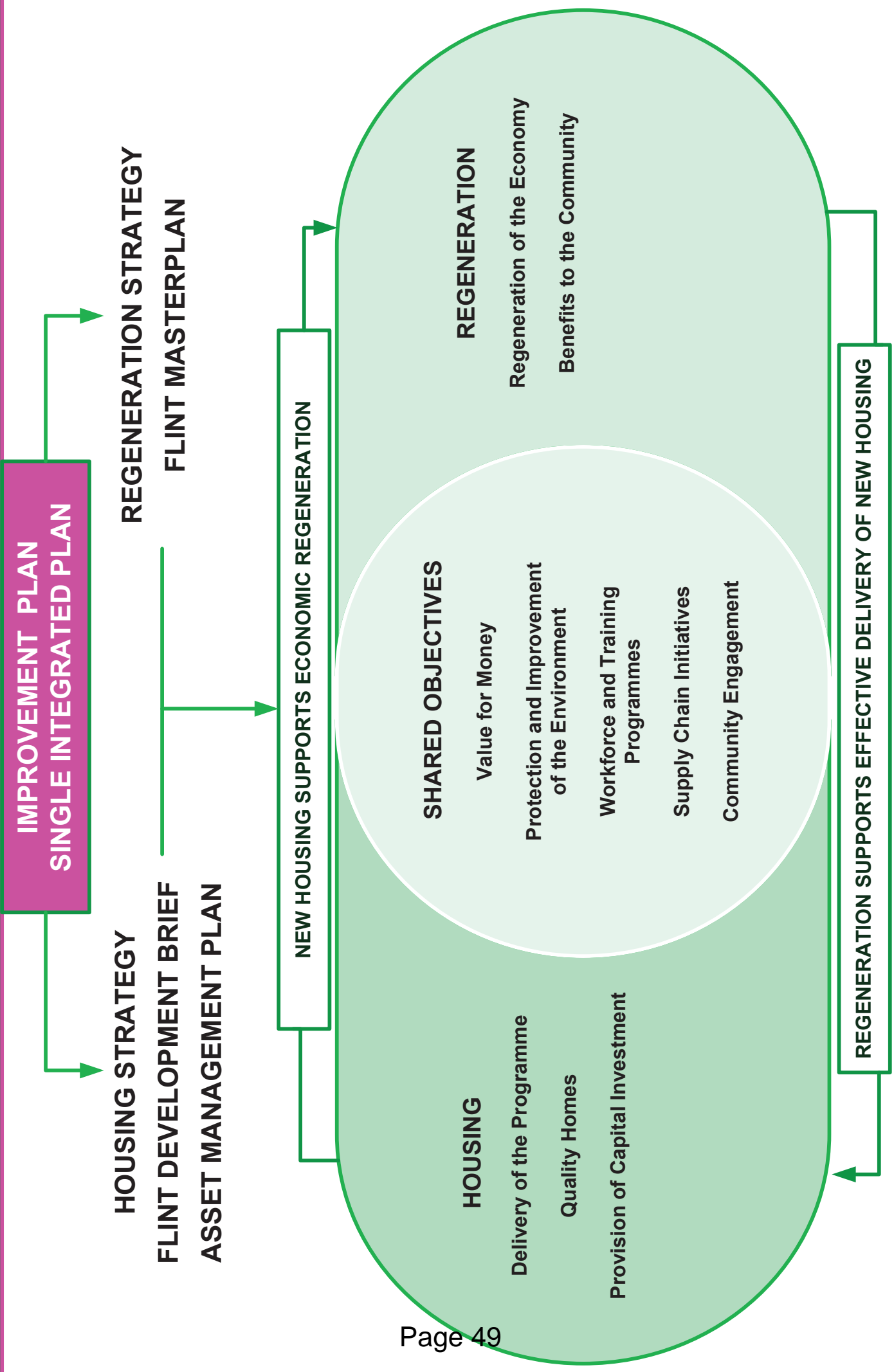
11.01 Local ward member consultation and tenant consultation has taken place regularly to date.

12.00 APPENDICES

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

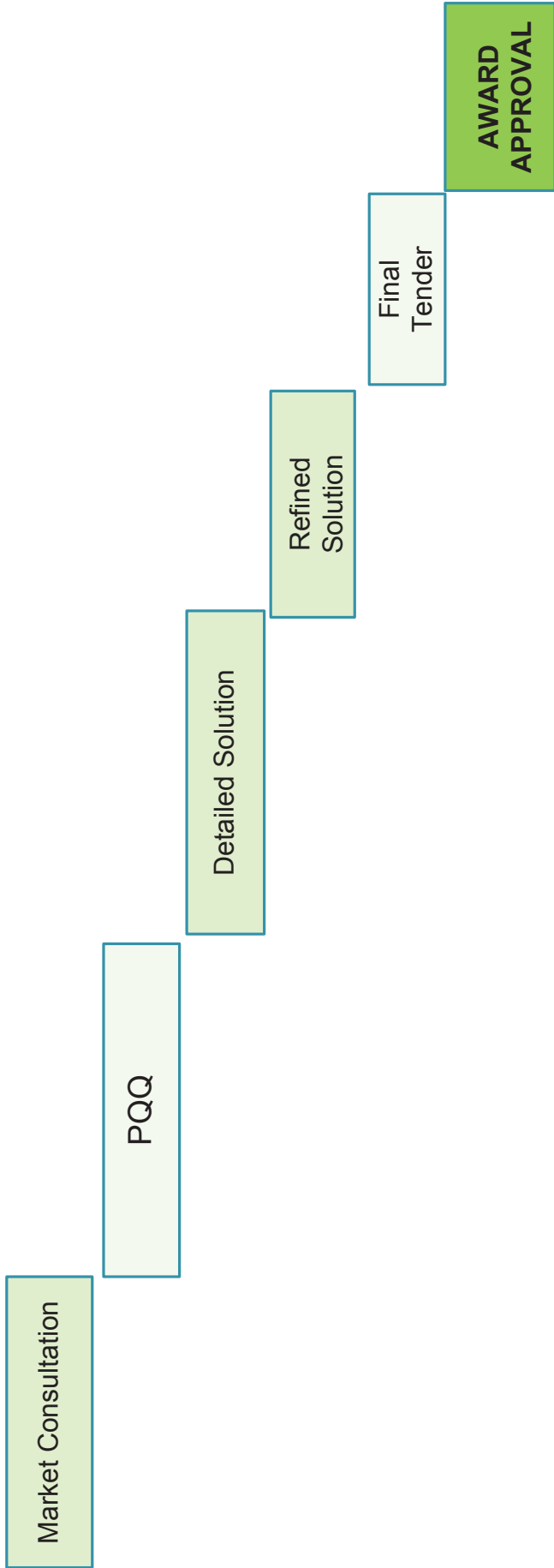
Contact Officer: Clare Budden
Telephone: 01352 703 800
Email: clare.budden@flintshire.gov.uk

COMMISSIONING OBJECTIVES



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June 14	July	August	Sept	Oct	Nov	Dec	Jan 15	Feb	March	April 15
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