

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**

**DATE:**                   **TUESDAY, 17<sup>TH</sup> SEPTEMBER 2013**

**REPORT BY:**           **DIRECTOR OF COMMUNITY SERVICES**

**SUBJECT:**               **HOUSING REVENUE ACCOUNT 30 YEAR BUSINESS PLAN**

**1.00    PURPOSE OF REPORT**

1.01    The purpose of this report is to present the final revised Housing Revenue Account Business Plan submitted to Welsh Government (WG) with two potential options to achieve WHQS, one for securing a 2022/23 deadline with no borrowing and one for a 2020/21 deadline with prudential borrowing.

**2.00    BACKGROUND**

2.01    A 30 year business plan is submitted to WG each year for the purposes of MRA (Major Repairs Allowance) approval. This plan is also analysed by WG to assess progress in achieving the WHQS. WG has set a deadline of 2020/21 for the standard to be achieved in full. At the time of the Flintshire tenants ballot in 2012 the business plan identified a need for £166m to achieve the standard within a 5 year time frame. Flintshire Council could identify funding of £49m in its business plan over this same time frame, leaving a funding gap of £117m.

2.02    Following the outcome of the ballot and with the extension of the deadline to meet WHQS to 2020/21, further work was undertaken to reduce the gap. Following this work a business plan identifying a revised gap of £77.0m to achieve WHQS by 2020/21 was submitted to WG in January 2012/13.

2.03    A task force was established by WG to support delivery of the standard by 2020/21. See appendix 3 for their terms of reference. The aim of this was to work with authorities whose business plans showed they could not meet the standard by 2020/21. Flintshire, alongside Wrexham and Swansea, have been working with the WHQS task force to look at how the financial performance of the HRA can be maximised to enable achievement of the standard by 2020/21, (a date set by the previous Housing Minister Huw Lewis and further endorsed recently by Carl Sergeant AM as the new Housing Minister).

2.04 Senior Member and Officer colleagues from each authority met with the task force over a number of meetings. Areas discussed included :-

#### 2.05 **Asset Management Approach**

Levels of non-traditional stock compared with other L.As and the higher costs of achieving WHQS associated with these types of stock.

#### 2.06 **'Acceptable Fails'**

Allowances for 'acceptable fails', (which is a Welsh government term). Considering these in the following hierarchy:

1. Resident Choice (or refusal)
2. Physical Constraint
3. Timing of Remedy
4. Cost of Remedy

Initially Flintshire had no allowances in for 'acceptable fails'.

#### 2.07 **Fees & Contingencies**

The fees included in the business plan appeared high at 15% and Flintshire agreed to review these together with the level of contingencies.

#### 2.08 **Life Cycles of Components**

Flintshire agreed to review component life-cycles to reflect its experience of when components realistically need replacement. In particular extending the expected life cycle of gas boilers from 10 to 15 years and smoke alarms from 6 to 10 years.

#### 2.09 **Stock Condition Survey**

The latest survey was carried out by Savills in 2010 and the task force recommended updating this survey. A new survey is taking place this summer with the outcomes of the survey to be reported in the Autumn with any changes reflected in the Business Plan in 2014.

### 3.00 **CONSIDERATIONS**

3.01 Additionally work has been undertaken to identify where the HRA can maximise income and reduce costs. The main changes are shown below:-

#### 3.02 **Expenditure assumptions**

- Reduced fees for capital programme to 6% (current costs c3%)
- Re programmed 10% internal investment needs to after 2020 to

account for tenant refusals

- Reprogrammed 80% of non traditional stock costs. 20% remaining to be used as match for ECO. This should mean all investment needs can be met by 2020 but if this doesn't materialise then the remainder is budgeted for after 2020.
- Increased boiler life cycles to 15 years
- Assumed further savings in management costs due to stock loss and stretching efficiency potential. (Assumed 83k savings in management costs in 14/15 and nothing further after that unless linked to stock loss)
- Added in £0.5m capital expenditure for non WHQS urgent work and contingency
- Assumed self financing costs of £6174m per annum (as advised)
- Modelled a 20% reduction in revenue maintenance expenditure from 2021 to reflect improved stock condition. Average annual cost per property reduced from £1,138 to £1,053 (includes voids).

### 3.03 **Income assumptions**

- Rents –adjusted plan for rents to be RPI plus 2%
- Reduced voids to 1.85% from 2%, which better reflects current performance
- Service charges- assumed a phased implementation from 15/16, (as per Welsh Government guidance)
- Rents- assumed 5% above guideline
- Modelled an increase in bad debts from 1.5% to 4.28% for Welfare Reform impact.

3.04 The cumulative effect of these changes is to leave a shortfall of only £14.5m by close of 2020/21 year in meeting the standard, with the standard met fully by the end of the following year. The council is confident that it has fully stretched the income and efficiency assumptions and is controlling costs and expenditure tightly. There are always risks in making assumptions and the plan will need to be revised on an annual basis as risks and assumptions are reviewed in the light of actual events. In addition some of the income assumptions require policy consideration and will need to be reviewed in the light of that consideration,

3.05 Flintshire had a final meeting with the task force in May and discussed two options to achieve WHQS by 2020.

- Further improved financial performance of the Housing Revenue Account over current forecasts and assumptions over the next 8 years, which could free up further revenue savings and efficiencies to close the £14.5m gap and enable achievement of WHQS without recourse to borrowing;
- Flintshire obtains borrowing permission for the capital funding gap it predicts at this point, and borrows as required, following a mid-term review of the investment portfolio and the performance of the Housing Revenue Account.

3.06 Borrowing at the level needed to achieve WHQS by 2020 is affordable and would only have a marginal negative impact on the plan in future years.

3.07 Welsh Government confirmed in July that they had reached agreement with Central Government to end the Housing Revenue Account Subsidy system. Work is now underway with Welsh Government and all eleven affected councils to agree Flintshire's share of the "buy out" figure and its ability to prudentially borrow. The outcome of this will be modelled in the business plan and reported to members as soon as there is further clarity. Overall this is expected to have a positive impact on the plan.

#### **4.00 RECOMMENDATIONS**

4.01 That Cabinet notes the revised business plan and that Flintshire is now able to achieve the WHQS standard by 2020/21.

#### **5.00 FINANCIAL IMPLICATIONS**

5.01 Two business plans have been modelled and are attached.

- Appendix 1 – HRA Business Plan without prudential borrowing showing a £14.5m gap to meet WHQS by 2020/21.
- Appendix 2 – HRA Business Plan with £17m of prudential borrowing in the last three years in order to meet WHQS by 2020/21.

#### **6.00 ANTI POVERTY IMPACT**

6.01 None specifically associated with the content of this report.

#### **7.00 ENVIRONMENTAL IMPACT**

7.01 None specifically associated with the content of this report.

#### **8.00 EQUALITIES IMPACT**

8.01 None specifically associated with the content of this report.

#### **9.00 PERSONNEL IMPLICATIONS**

9.01 None specifically associated with the content of this report.

**10.00 CONSULTATION REQUIRED**

10.01 None.

**11.00 CONSULTATION UNDERTAKEN**

11.01 Appropriate consultation with WG officials and WHQS Task Force Members.

**12.00 APPENDICES**

- 12.01 • Appendix 1 – HRA Business Plan without prudential borrowing
- 12.02 • Appendix 2 – HRA Business Plan with £17m of prudential borrowing.
- 12.03 • Appendix 3 – WG Task force terms of reference

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

None.

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