

COMMUNITY AND ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Wednesday, 2 September 2015
Report Subject	HRA and Self Financing
Portfolio Holder	Cabinet Member for Housing
Report By	Chief Officer (Community and Enterprise)
Strategic / Operational	Strategic

EXECUTIVE SUMMARY

Following a lengthy process of negotiation with the UK Government, (and then between) Welsh Government and the 11 stock retaining councils across Wales, self-financing was introduced for the Housing Revenue Account from the beginning of the 2015/16 financial year. The final terms of the “buy out” were not agreed until towards the end of March and under delegated authority. This report explains the final outcome; and describes how the council will be able to achieve its long term strategic plans for stock improvement and development of new council homes.

Recommendations

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| (1) | That Scrutiny consider the final outcome of the negotiations to introduce self-financing for the HRA; to ensure that plans to deliver WHQS by 2020 can be achieved alongside commencement of a new build programme. |
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REPORT DETAILS

<u>1.00</u>	<u>REPORT DETAIL</u>
1.01	<p>The UK Government and WG reached agreement on arrangements to introduce self-financing for council housing in Wales from April 2015. Welsh Local Authorities had long argued for this change, which in a Flintshire context has seen circa £6.2m of tenants rent being paid through to the UK treasury each year (the total Wales figure has been £73m). The new arrangements have seen the annual subsidy payment replaced by a one off payment of £919m, with the 11 stock retaining councils taking out loans from PWLB which equate to £40m in interest charges per annum.</p> <p>In addition to this a total borrowing cap of £1.85b has been set for all 11 councils. This allowed for any existing borrowing councils had in place, any borrowing needed to achieve WHQS by 2020 and a small amount available for new build.</p> <p>Self financing is intended to provide greater self-determination for Local Authorities to provide locally focussed services meeting local need. In a Flintshire context this means providing borrowing limits which aim to ensure that there are sufficient capital resources available for meeting the quality standard for accommodation and some small scale new build programmes; in addition to the service quality promises made in the Choices document.</p> <p>However, councils are required to meet the WHQS by 2020 and provide regular evidence that this is being achieved, and to set rents in accordance with the Welsh Government rent policy (which includes an obligation to introduce charging for services).</p> <p>The Council has a robust Asset Management plan in place which has been through a process of consultation and assuming that all financial and performance assumptions in the business plan remain broadly as anticipated will allow the standard to be met in the expected timescale. A summary of progress in delivering the 2015/16 programme is attached at Appendix 1.</p> <p>Contractual commitments have now been made for the Council's new build programme and a full report on the new build programme for social and affordable homes will be brought to the October committee for consideration.</p>

<u>2.00</u>	<u>RESOURCE IMPLICATIONS</u>
2.01	<p>Self-Financing Agreement</p> <p>The voluntary agreement was signed on the 27th March. The 'buyout' provided for a total debt cap of £1.85bn to all eleven stock owning authorities, of which Flintshire's cap is £143.9m. The debt cap is the limit on total borrowing the Housing Revenue account can have at any point in time.</p>

	<p>The Council's HRA debt cap is broken down as follows:</p> <ul style="list-style-type: none"> • £24.9m to take account of existing debt. • £25.0m borrowing assumptions to meet WHQS by 2020. • £14.8m borrowing assumptions for new council housing build • £79.2m settlement payment to buy out of the subsidy system. <p>The eleven stock owning authorities 'bought out' of the subsidy system via a total loan of £919m. The Council's share of this was £79.2m. PWLB agreed a one day only 'HRAS' interest rate which over a basket of 10 loans for the HRA was circa 4.20%.</p> <p>Just prior to the voluntary agreement deadline and as a result of reducing interest rates since the original agreement had been reached, a decision was reached between Treasury and Welsh Government to fix the debt 'buyout' figure. Whilst this has meant that the overall borrowing for authorities is lower, it has also meant that from Flintshire's perspective the HRA currently has a lower share of total debt across the Council than indicated when the budget for 2015/16 was agreed. This provides a benefit to the HRA of circa £0.5m per annum.</p> <p>The Council approved a programme of savings and efficiencies as part of the HRA budget for 2015/16, and these are on course to be achieved in year.</p>
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<u>3.00</u>	<u>CONSULTATIONS REQUIRED / CARRIED OUT</u>
3.01	<p>Officers from the council were represented on the Welsh Government Steering Group and a range of work streams established to work through the detail of the buy out ahead of formal approval by individual councils.</p> <p>Various events and communications also took place with tenants to consult with and inform them as appropriate during and at the conclusion of the work to introduce self-financing.</p>

<u>4.00</u>	<u>RISK MANAGEMENT</u>
4.01	<p>There are a number of ongoing risks which have been identified and risk management measures are in place to mitigate these as far as possible.</p> <p>Key strategic risks include:</p> <ul style="list-style-type: none"> • MRA funding certainty • Meeting the WHQS by 2020 • Delivering the planned new build programme of 120 homes by 2020 • Introduction of charging for services • Maximising rental income particularly in light of ongoing Welfare Reforms • Meeting annual efficiency targets <p>A high level risk map is attached at Appendix 2.</p>

4.02	A Housing Programme Board has been established, which meets 6 weekly. This board is made up of senior officers of the Council and cabinet members. The group monitors a range of things including progress in achieving WHQS, progress in establishing new build programme and associated risk management; progress in delivery of annual efficiency targets and any major budget or expenditure risks.
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5.00	<u>APPENDICES</u>
5.01	Appendix 1 - WHQS Quarter 1 Progress Report
5.02	Appendix 2 – HRA Risk Register

6.00	<u>SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972</u> List of Accessible Background Documents
6.01	None.

7.00	<u>GLOSSARY OF TERMS</u>
7.01	PWLB – Public Works Loans Board WHQS – Welsh Housing Quality Standards HRA – Housing Revenue Account