

CABINET

Date of Meeting	Tuesday 16 th February 2016
Report Subject	Draft Housing Revenue Account Budget 2016/17 & Capital Programme 2016/17
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer (Community & Enterprise) Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The purpose of this report is to present for approval the draft HRA Budget for 2016/17, and HRA Business Plan.

RECOMMENDATIONS

1	That Cabinet approve and recommend to the Council, the HRA budget for 2016/17 as set out in the Business plan.
2	That Cabinet approve a rent increase of 1.4% (plus up to or minus £2) as set out in the business plan with target rents applied for new tenancies, and with the introduction of service charges for communal area cleaning, digital services and aerial maintenance for existing tenancies.
3	That Cabinet approve a garage rent increase of 1.4%.
4	That Cabinet approve the proposed HRA Capital programme for 2016/17 as set out in Appendix C.

REPORT DETAILS

1.00	BACKGROUND TO THE DRAFT HRA BUDGET AND HRA BUSINESS PLAN
1.01	<p><u>Self Financing</u></p> <p>Self financing was introduced in April 2015 and is contained within the Housing Wales Act 2014. This policy change brings more self determination for local councils longer term. As part of introducing self financing the Act contained a duty for the 11 councils affected to make a one-off settlement payment of £920m, and it set the all wales limit of indebtedness for those individual local authorities. Flintshire's maximum level of borrowing is £144m.</p>
1.02	<p>In summary, Flintshire's borrowing requirements and/or limits for borrowing are (approximately) as follows:</p> <ul style="list-style-type: none"> • Existing HRA borrowing £25m • Borrowing to achieve settlement £79.2m • Borrowing for WHQS £25m • Borrowing for new build £14.5m
1.03	<p>The initial borrowing of c£79.2m for buy-out resulted in a basket of loans of varying lengths in accordance with the Councils Treasury Management Strategy. External advice was sought and the recommendation was for the council to continue to operate a single debt pool approach, providing maximum flexibility.</p>
1.04	<p>The Social Housing rents policy was introduced by Welsh Government in April 2015 for local authorities. This policy is aimed at achieving rent convergence between council and housing association rents over time.</p>
1.05	<p>Welsh social rent policy is devolved from the U.K government. There is pressure however to follow the UK Government requirement for social landlords in England to reduce social rents by 1% for each of the next four years. Welsh Government sought evidence from social landlords across Wales on the impact this change would make to business plans and has decided to retain the current rent policy for 2015.</p>
1.06	<p>In the Chancellors Autumn statement an announcement was made that social rents would be capped to LHA rent levels for any new tenancy from April 2016 (but taking effect from April 2018). Should this proposal be implemented rents for many 1 bedroom properties in Flintshire would reach the cap quite quickly. This could have negative impacts on the HRA business plan and the viability of some new housing developments.</p>
1.07	<p>The WG rent policy requires all service charges to be disaggregated from rents from April 2016.</p>

1.08	<p><u>Considerations</u></p> <p>The HRA has to have both short and long term financial planning in place. The short term (more detailed) planning shows how the WHQS standard will be achieved, Choices document promises kept, and 200 new council homes built. The longer term plan shows a viable account with surplus income over expenditure needs. This presents opportunities to do more to improve service delivery; provides reassurance that once achieved, the WHQS standard can be maintained, and could provide further capital funding for new build.</p>
1.09	<p>The strategic context for this year's HRA budget setting includes the following:</p> <ul style="list-style-type: none"> • The need to ensure the treasury management strategy continues to meet the councils new and ongoing borrowing requirements; • Delivering a prudent plan for income - ensuring that rents are affordable in a local context, and phasing in service charging for new and existing tenants; • Setting a balanced budget with 3.25% surplus revenue over expenditure; • Continued drive to ensure all service costs are efficient and that value for money can be achieved; • Maximisation of revenue efficiencies to minimise the borrowing required to meet WHQS by 2020; • Review of WHQS investment strategy to meet tenant and elected member expectation and the new achievable deadline of 2020; • Planning for the delivery of new build council housing in 2016.
1.10	<p><u>Rent increase</u></p> <p>The rent policy framework was implemented in April 2015. There is flexibility for each landlord to set the rent band at either target rent, 5% below or 5% above. Cabinet decided to set Flintshire rents at target to support tenant affordability.</p>
1.11	<p>Where a landlord's weekly rent is lower than the rent band, rents are set at the September CPI (-0.1%) plus 1.5% a combined increase of 1.4% plus up to £2 per week, to work towards rent convergence. Where rents are above target (this applies to circa 64 Flintshire homes), then the rent will reduce by £2 until the weekly rent falls within the target rent band. This means an average Flintshire rent increase of 1.4% plus or minus up to £2 for 2016/17. Approximately 64% tenants are in receipt of full or partial Housing Benefit.</p>
1.12	<p>The business plan shows that the draft average transitional rent is £81.38 and the draft average target rent is £87.84. Some tenancies could take 7 years to achieve the target rent.</p>
1.13	<p><u>Capital programme</u></p> <p>The WHQS and Asset investment programme for 2016/17 has been</p>

	estimated at a total of £21m. This includes provision for internal work streams, external enveloping works, environmental programmes, fire risk works, DDA, Asbestos, off gas and energy efficiency works. Cabinet has approved the Asset investment plan to achieve the WHQS by 2020 and this budget will ensure that the council meets the commitments in that plan to achieve the standard by 2020.
1.14	In addition £4.763m of prudential borrowing has been budgeted in 2016/17 for the first two council housing building schemes, Custom House School site, Connah's Quay and the Walks, Flint.
1.15	Attached to this report for Cabinet approval: - <ul style="list-style-type: none"> • The 3 year HRA business efficiency proposals – Appendix A • Draft 30 year HRA business plan summary - Appendix B • WHQS programme for 2016/17 - Appendix C

2.00	RESOURCE IMPLICATIONS
2.01	The HRA is a ring fenced budget. This HRA budget and business plan demonstrates that the council can achieve the WHQS by 2020, can meet service improvement plans and commitments and with prudential borrowing can commence a council house building programme in 2016.
2.02	Additional staff will be required to deliver an accelerated WHQS programme. The funding for these posts is provided for in the WHQS programme.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The draft budget has discussed with the Tenants Federation at their January meeting and they support the proposals contained in this paper.
3.02	Detailed consultation has been undertaken with tenants and elected members to inform the preparation of the revised WHQS investment programme.
3.03	A Scrutiny meeting was held on 15 th January when the committee fully endorsed the proposals in this paper.

4.00	RISK MANAGEMENT
4.01	Self-financing in the HRA should continue to provide additional revenue to improve property standards and to meet service improvement objectives. The council has agreed a Rent Policy which will see rents at benchmark levels, rather than taking the opportunity to set at 5% per cent above the benchmark. This decision was taken to safeguard affordability for tenants.
4.02	Stock investment delivery plans will enhance the appearance of the environment and will contribute toward the council's CO2 reduction

	targets.
4.03	All households will benefit from the Councils WHQS programme. The impact of the investment planning and efficiencies is being modelled for various customer groups to ensure that there is no disproportionate impact on any groups with protected characteristics.

5.00	APPENDICES
5.01	Appendix A - Draft HRA Business Plan Appendix B - Draft 30 year HRA Revenue and Capital Account Appendix C - Draft WHQS programme

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Clare Budden, Chief Officer (Community & Enterprise) Telephone: 01352 703800 E-mail: clare.budden@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Financial Year: the period of 12 months commencing on 1 April 2016.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Capital expenditure: money spent by the organisation on acquiring or maintaining fixed assets, such as land, buildings, and equipment.</p> <p>Budget: a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p>Treasury Management: The Council has adopted the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management in the Public Services: Code of Practice. Treasury Management is conducted in accordance with the Council's Treasury Management Policy and Strategy Statement and Treasury Management Practices which are both reviewed annually. All borrowing and long term financing is made in accordance with CIPFA's Prudential Code.</p>