

**CABINET**

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

<b>1.00</b>	<b>BACKGROUND TO THE DRAFT HRA BUDGET AND HRA BUSINESS PLAN</b>
	<b><u>Self Financing</u></b>
1.01	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.
1.02	In summary, Flintshire's borrowing requirements and/or limits for borrowing are (approximately) as follows: <ul style="list-style-type: none"><li>• Existing HRA borrowing £25m</li><li>• Borrowing to achieve settlement £79.2m</li><li>• Borrowing for WHQS £25m</li><li>• Borrowing for new build £14.5m</li></ul>
1.03	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.
1.04	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.
1.05	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.
1.06	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.
1.07	The WG rent policy requires all service charges to be disaggregated from rents from April 2016.

1.08	<p><b><u>Considerations</u></b></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"> <li>• The need to ensure the treasury management strategy continues to meet the councils new and ongoing borrowing requirements;</li> <li>• 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;</li> <li>• Setting a balanced budget with 3.25% surplus revenue over expenditure;</li> <li>• Continued drive to ensure all service costs are efficient and that value for money can be achieved;</li> <li>• Maximisation of revenue efficiencies to minimise the borrowing required to meet WHQS by 2020;</li> <li>• Review of WHQS investment strategy to meet tenant and elected member expectation and the new achievable deadline of 2020;</li> <li>• Planning for the delivery of new build council housing in 2016.</li> </ul>
1.10	<p><b><u>Rent increase</u></b></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><b><u>Capital programme</u></b></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"> <li>• The 3 year HRA business efficiency proposals – Appendix A</li> <li>• Draft 30 year HRA business plan summary - Appendix B</li> <li>• WHQS programme for 2016/17 - Appendix C</li> </ul>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
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.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
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 <sup>th</sup> January when the committee fully endorsed the proposals in this paper.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
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.

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

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Financial Year:</b> the period of 12 months commencing on 1 April 2016.</p> <p><b>Revenue:</b> 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><b>Capital expenditure:</b> money spent by the organisation on acquiring or maintaining fixed assets, such as land, buildings, and equipment.</p> <p><b>Budget:</b> 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><b>Treasury Management:</b> 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>

# HRA Business Planning

## Efficiencies

No		Savings Options Model 1 and 2	Type	2016/17 PROPOSALS £m	2016/17 MANDATORY duties	2016/17 RISK status of ACCEPTABILITY and DELIVERABILITY	Categorisation of financial robustness
1	Housing Asset Mgmt	Maximise material efficiencies via product mix and pricing 3%	Service Efficiency	(90,000)	NM	Amber	2
2	Housing Asset Mgmt	Job Scheduling	Service Efficiency	(84,941)	NM	Amber	2
3	Housing Asset Mgmt	Reduce Inspection Team	Structural Review	(52,459)	NM	Green	1
4	Support	Undertake corporate buildings review	Service Efficiency	(18,000)	NM	Green	1
5	Various	Reduce postage costs / increase electronic communications	Service Efficiency	(3,500)	NM	Green	1
6	Support	Telephone Recharges	Service Efficiency	(9,000)	NM	Green	1
		<b>Total HRA</b>		<b>(257,900)</b>			

## Pressures

No			Type	2016/17 PROPOSALS £m	2016/17 MANDATORY duties	2016/17 RISK status of ACCEPTABILITY and DELIVERABILITY	Categorisation of financial robustness
1	Income	Reduction in income arising from phased implementation of gardens and service charges	Income Pressure	70,562	M	Green	1
2	Tenancy Mgmnt	Health and Safety Officer	Service Improvement	47,871	M	Green	1
3	Tenancy Mgmnt	Community Centres	Service Pressure	96,000	NM	Green	1
4	Tenancy Mgmnt	Wardens	Service Pressure	153,000	NM	Green	1
5	Estate Services	Aerials	Service Pressure	14,000	NM	Green	1
6	Housing Asset Mgmnt	Communications/FOI Officer	Service Improvement	15,403	NM	Green	1
		<b>Total HRA</b>		<b>396,836</b>			

		<b>Grand Total HRA</b>		<b>138,936</b>			
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Year	Year	Income			Expenditure						Net Operating Balance				Available Capital Funding					Capital Programme		
		Net Rent Income	Other Income	Total Income	Tenancy Mgmt	Estate Services	Housing Asset Mgmt	Support Costs	Debt Charges	Total Expenses	Net Operating Expenditure	Balance B/F	CERA	Balance C/F	CERA	MRA	Prudential Borrowing	Capital Receipts	Total Capital Funds	WHQS Capital Programme	SHARP programme	Shortfall / (Surplus)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	2016.17	(29,348)	(1,178)	(30,526)	1,809	1,051	8,433	2,309	7,208	20,810	(9,716)	(1,513)	10,500	(728)	10,500	5,000	10,463		25,963	21,170	4,763	(30)
2	2017.18	(30,093)	(1,875)	(31,968)	1,827	1,061	8,245	2,253	7,850	21,236	(10,732)	(728)	10,717	(743)	10,717	5,000	13,700		29,417	24,159	5,200	(58)
3	2018.19	(30,916)	(2,086)	(33,002)	1,851	1,072	8,327	2,275	8,522	22,047	(10,955)	(743)	10,927	(772)	10,927	5,100	7,650		23,677	18,394	5,200	(82)
4	2019.20	(32,731)	(2,108)	(34,839)	1,870	1,083	8,410	2,298	8,769	22,429	(12,410)	(772)	12,396	(785)	12,396	5,100	-		17,496	17,473	0	(23)
5	2020.21	(33,286)	(2,113)	(35,399)	1,888	1,093	8,495	2,321	8,643	22,440	(12,958)	(785)	12,958	(785)	12,958	5,100	-		18,058	16,803	0	(1,255)
6	2021.22	(35,018)	(2,125)	(37,143)	1,907	1,104	8,579	2,344	8,572	22,507	(14,636)	(785)	14,634	(788)	14,634	5,100	-		19,734	19,611	0	(122)
7	2022.23	(36,244)	(2,139)	(38,382)	1,926	1,115	8,665	2,367	8,429	22,503	(15,879)	(788)	15,879	(788)	15,879	5,100	-		20,979	15,668	0	(5,311)
8	2023.24	(37,399)	(2,152)	(39,552)	1,946	1,126	8,752	2,391	8,262	22,477	(17,074)	(788)	17,075	(787)	17,075	5,100	-		22,175	15,243	0	(6,932)
9	2024.25	(38,521)	(2,167)	(40,688)	1,965	1,138	8,839	2,415	8,068	22,426	(18,262)	(787)	18,264	(785)	18,264	5,100	-		23,364	15,395	0	(7,969)
10	2025.26	(40,440)	(2,191)	(42,631)	1,985	1,149	8,928	2,439	7,895	22,395	(20,235)	(785)	20,236	(784)	20,236	5,100	-		25,336	15,549	0	(9,787)
11	2026.27	(40,867)	(2,196)	(43,063)	2,004	1,161	9,017	2,464	7,733	22,378	(20,685)	(784)	20,686	(783)	20,686	5,100	-		25,786	15,705	0	(10,081)
12	2027.28	(42,093)	(2,211)	(44,305)	2,025	1,172	9,107	2,488	7,528	22,320	(21,984)	(783)	21,986	(781)	21,986	5,100	-		27,086	15,862	0	(11,224)
13	2028.29	(43,356)	(2,227)	(45,583)	2,045	1,184	9,198	2,513	7,327	22,267	(23,316)	(781)	23,318	(779)	23,318	5,100	-		28,418	16,021	0	(12,398)
14	2029.30	(44,657)	(2,244)	(46,900)	2,065	1,196	9,290	2,538	7,132	22,222	(24,678)	(779)	24,680	(778)	24,680	5,100	-		29,780	16,181	0	(13,599)
15	2030.31	(45,996)	(2,260)	(48,257)	2,086	1,208	9,383	2,564	6,940	22,180	(26,076)	(778)	26,078	(776)	26,078	5,100	-		31,178	16,343	0	(14,835)
16	2031.32	(48,287)	(2,289)	(50,577)	2,107	1,220	9,477	2,589	6,751	22,144	(28,433)	(776)	28,434	(775)	28,434	5,100	-		33,534	16,506	0	(17,028)
17	2032.33	(48,798)	(2,296)	(51,093)	2,128	1,232	9,572	2,615	6,524	22,071	(29,023)	(775)	29,025	(772)	29,025	5,100	-		34,125	16,671	0	(17,454)
18	2033.34	(50,262)	(2,314)	(52,575)	2,149	1,244	9,668	2,641	6,307	22,009	(30,567)	(772)	30,569	(770)	30,569	5,100	-		35,669	16,838	0	(18,831)
19	2034.35	(51,769)	(2,333)	(54,102)	2,171	1,257	9,764	2,668	5,943	21,803	(32,300)	(770)	32,307	(763)	32,307	5,100	-		37,407	17,006	0	(20,401)
20	2035.36	(53,323)	(2,352)	(55,675)	2,192	1,269	9,862	2,694	5,549	21,567	(34,108)	(763)	34,116	(755)	34,116	5,100	-		39,216	17,176	0	(22,040)
21	2036.37	(54,922)	(2,372)	(57,295)	2,214	1,282	9,961	2,721	5,212	21,390	(35,905)	(755)	35,911	(749)	35,911	5,100	-		41,011	17,348	0	(23,663)
22	2037.38	(57,658)	(2,407)	(60,064)	2,236	1,295	10,060	2,749	4,926	21,266	(38,798)	(749)	38,803	(744)	38,803	5,100	-		43,903	17,521	0	(26,381)
23	2038.39	(58,267)	(2,414)	(60,681)	2,259	1,308	10,161	2,776	4,643	21,147	(39,535)	(744)	39,539	(740)	39,539	5,100	-		44,639	17,697	0	(26,942)
24	2039.40	(60,015)	(2,436)	(62,451)	2,281	1,321	10,262	2,804	4,390	21,059	(41,393)	(740)	41,396	(737)	41,396	5,100	-		46,496	17,874	0	(28,622)
25	2040.41	(61,815)	(2,459)	(64,274)	2,304	1,334	10,365	2,832	4,228	21,063	(43,211)	(737)	43,211	(737)	43,211	5,100	-		48,311	18,052	0	(30,258)
26	2041.42	(63,670)	(2,482)	(66,152)	2,327	1,347	10,469	2,860	4,070	21,073	(45,079)	(737)	45,079	(738)	45,079	5,100	-		50,179	18,233	0	(31,946)
27	2042.43	(65,580)	(2,506)	(68,086)	2,350	1,361	10,573	2,889	4,019	21,193	(46,893)	(738)	46,889	(742)	46,889	5,100	-		51,989	18,415	0	(33,574)
28	2043.44	(68,846)	(2,547)	(71,394)	2,374	1,375	10,679	2,918	3,970	21,315	(50,079)	(742)	50,074	(746)	50,074	5,100	-		55,174	18,599	0	(36,575)
29	2044.45	(69,574)	(2,590)	(72,164)	2,398	1,388	10,786	2,947	3,921	21,440	(50,724)	(746)	50,720	(750)	50,720	5,100	-		55,820	18,785	0	(37,034)



**Appendix C**  
**Draft HRA Capital Programme 2016/17**

HRA Capital Programme	2016/17
WHQS	£'m
<b>CATCH UP REPAIRS / MAJOR WORKS</b>	
Urgent Capital Works 3% on £95m	0.521
<b>IMPROVEMENTS / COMMUNAL WORKS</b>	
Fire Risk Assessments Work	0.150
General DDA Work	0.050
<b>IMPROVEMENTS / ACCELERATED WORKS</b>	
Asbestos Survey and Removal (Ongoing Programme)	0.350
Off Gas Programme	0.750
ECO Projects	0.550
Welfare Reform / Adaptations	0.100
<b>PROGRAMMED WORK STREAMS</b>	
Internal Works	11.953
Envelope Works	2.581
External Works, Paths, Fences	0.475
Environmental Works - General	0.950
Capitalised Salaries 6% on £90m	0.781
Vacant Properties	0.750
<b>Total WHQS</b>	<b>19.961</b>
<b>Non WHQS</b>	
Disabled Facility Grants (DFG) - Mandatory/ Minor Adaps	1.000
<b>Total Non - WHQS</b>	<b>1.000</b>
<b>Total Spend (Excluding Inflation)</b>	<b>20.961</b>
<b>Inflation</b>	<b>0.209</b>
<b>Total Spend (Including Inflation)</b>	<b>21.170</b>