

## CABINET

<b>Date of Meeting</b>	Tuesday, 14 February 2017
<b>Report Subject</b>	Housing Revenue Account (HRA) Budget 2017/18 & Capital Programme 2017/18
<b>Cabinet Member</b>	Cabinet Member for Housing
<b>Report Author</b>	Chief Executive 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 Housing Revenue Account (HRA) Budget for 2017/18, and HRA Business Plan.

### RECOMMENDATIONS

1	That Cabinet Members approve and recommend to the Council, the HRA budget for 2017/18 as set out in the Business plan.
2	That Cabinet Members approve a rent increase of 2.5% (plus up to or minus £2) as set out in the business plan with target rents applied for new tenancies.
3	That Cabinet Members approve and recommend to the Council a garage rent increase of £1 per week and a garage plot rent increase of £0.20 per week.
4	That Members approve the proposed HRA Capital programme for 2017/18 as set out in Appendix 4.

## **REPORT DETAILS**

<b>1.00</b>	<b>BACKGROUND TO THE DRAFT HRA BUDGET AND HRA BUSINESS PLAN</b>
<b>1.01</b>	<b>Considerations</b>
	<p>The HRA is required to produce a 30 year business plan. The first four years focuses on the achievement of the Welsh Housing Quality Standards (WHQS), Choices document promises kept, ongoing efficiencies made and 200 new council homes built. The longer term picture shows a strong 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> <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 maximisation;</li><li>• Setting a balanced budget with 3% 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>• Delivery of new build Council housing.</li></ul>
<b>1.02</b>	<b>Self financing</b>
	<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 council's 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 borrowing cap is £144m.</p> <p>In summary, Flintshire's borrowing requirements and/or limits for borrowing are (approximately) as follows:</p> <ul style="list-style-type: none"><li>• Existing HRA borrowing £25.7m</li><li>• Borrowing to achieve settlement £79.2m</li><li>• Total Borrowing for WHQS £15.3m</li><li>• Total Borrowing for new build £24.8m</li></ul> <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</p>

	<p>the Council to continue to operate a single debt pool approach, providing maximum flexibility.</p> <p>The current borrowing assumptions for 2017/18 are:-</p> <ul style="list-style-type: none"> <li>• Borrowing for WHQS £4.1m</li> <li>• Borrowing for new build £7.7m</li> </ul> <p>This will take borrowing levels up to £125m once the minimum revenue provision has been deducted.</p>
1.03	<p><b><u>Rents</u></b></p>
	<p>The Social Housing Rents policy was introduced by Welsh Government (WG) in April 2015 for local authorities and is in place for five years. The policy aims to achieve rent convergence between Council and Housing Association rents over time.</p> <p>Welsh social rent policy is devolved from the U.K government. There has been 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. WG 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 2017/18.</p> <p>In a written statement on the 21<sup>st</sup> November 2016, the Department of Works &amp; Pensions (DWP) Secretary for State announced that the Government proposes that the local housing allowance (LHA) cap for tenants living in general needs social housing will be applied from April 2019. When this proposal is implemented, rents for many 1 bedroom properties in Flintshire will reach the cap quite quickly. This could have negative impacts on the HRA business plan and the viability of some new housing developments.</p> <p>The WG rent policy requires all service charges to be disaggregated from rents. The Council is in the process of completing this.</p> <p>There is flexibility for each landlord to set the rent band at either target rent, 5% below or 5% above. The Council agreed to set Flintshire rents at target to support tenant affordability.</p> <p>The rent policy sets out the total target rent band for each landlord. The Councils target rent for 2017/18 is £91.69. Currently the Councils average rent is £85.87. Where a landlord's weekly rent is lower than the target rent band, transitional protection applies to tenants. In any year a landlord is not permitted to increase the rent for any individual tenant by more than £2 per week in addition to the agreed average annual rate of rent increase for the sector as a whole. The inflation indices used for uplifting rents each year are based on Consumer Price Index (CPI) at the previous September and a real increase percentage of 1.5.</p> <p>CPI for September 2016 was 1% plus 1.5% giving rent inflation for 2017/18 of 2.5%.</p>
1.04	<p><b><u>Garage Rents</u></b></p>

	Garage rents are currently charged at £5.61 per week and garage plots £1 per week. An increase of £1 per week is proposed for garages and £0.20 for garage plots.
1.05	<b>Capital programme</b>
	<p>£20m has been built into the WHQS and Asset investment programme for 2017/18. This includes provision for internal work streams, external enveloping works, environmental programmes, fire risks and Disability Discrimination Act (DDA) works, Asbestos, off gas and energy efficiency works. Cabinet has approved the Asset investment plan to achieve the WHQS by 2020 and the budget set will ensure that the council is still on track to meet its commitment to achieve the standard.</p> <p>In addition, £7.704m of prudential borrowing has been budgeted in 2017/18 for Council housing building schemes.</p> <p>Attached to this report for Cabinet approval: -</p> <ul style="list-style-type: none"> <li>• HRA Business Plan – Appendix 1</li> <li>• 30 year HRA business plan summary - Appendix 2</li> <li>• HRA business efficiency &amp; investment proposals - Appendix 3</li> <li>• Capital programme for 2017/18 - Appendix 4</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 continue its Council house building programme in 2017.
2.02	Additional staff have been appointed 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 will be discussed with the Tenants Federation at their February meeting.
3.02	Detailed consultation has been undertaken with tenants and elected members to inform the preparation of the WHQS investment programme.
3.03	Full local consultation is carried out for each new build scheme.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	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.
4.04	The Business Plan assumes a confirmation of Major Repairs Allowance (MRA) for the full 30 year life of the Business Plan.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 - HRA Business Plan Appendix 2 - 30 year HRA Business Plan Summary Appendix 3 - HRA business efficiency and investment proposals Appendix 4 - Capital programme

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None.  <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 2017.</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>

	<p><b>Major Repairs Allowance:</b> Welsh Government grant paid to local authorities in Wales who still manage and maintain their council housing.</p>
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