

CABINET

Date of Meeting	Tuesday, 20 th February 2018
Report Subject	Draft Housing Revenue Account (HRA) Budget 2018/19 & 30 Year Business Plan
Cabinet Member	Deputy Leader of the Council and 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 Housing Revenue Account (HRA) Budget for 2018/19, and the HRA 30 year Business Plan.

RECOMMENDATIONS

1	To approve and recommend to the Council, the HRA budget for 2018/19 and Business Plan as set out in the attached appendices.
2	To consider the 2 options identified for setting a rent increase for 2018/19, and approve the option of 3% (plus up to or minus £2), with target rents applied for new tenancies, as a more affordable increase than the Welsh Government Rent Policy formula which would set an increase of 4.5% (plus up to or minus £2).
3	To approve a garage rent increase of £1 per week and a garage plot rent increase of £0.20 per week.
4	To approve the proposed HRA Capital programme for 2018/19 as set out in Appendix C.

REPORT DETAILS

1.00	BACKGROUND TO THE DRAFT HRA BUDGET AND HRA BUSINESS PLAN
	Considerations
1.01	<p>The HRA is required to produce a 30 year business plan. This focuses on the prioritisation of a number of strategic priorities including, the achievement of the Welsh Housing Quality Standard (WHQS), building 200 new council homes, and meeting Choices Document commitments. The Business Plan shows a strong account with surplus income over expenditure needs.</p> <p>The strategic priorities for this year's HRA budget and business plan includes the following:</p> <ul style="list-style-type: none">• Achieving WHQS by 2020 and providing adequate ongoing investment to maintain WHQS levels.• Following de-pooling of rents a continued move towards efficient service charges and full cost recovery.• Ongoing transition of rents to Welsh Government targets.• Setting a balanced budget with a minimum of 3% surplus revenue over expenditure;• Maximisation of revenue efficiencies to minimise the borrowing required to meet WHQS by 2020.• Delivery of new build Council housing.
	Self-financing and Treasury assumptions
1.02	<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>The initial borrowing for Flintshire of c.£79.2m for buy-out resulted in a basket of loans of varying lengths in accordance with the Council's 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> <p>Since the introduction of the debt cap new borrowing has been as follows</p> <ul style="list-style-type: none">• Borrowing to date on WHQS £13.1m*• Borrowing to date on new build £13.6m* <p>*estimated to 31/3/2018</p>

	<p>The current borrowing assumptions for 2018/19 are:-</p> <ul style="list-style-type: none"> • Borrowing for WHQS £5.1m • Borrowing for new build £11.8m <p>All borrowing is repaid at 2% per year in line with the HRA's minimum revenue provision.</p>
	<p>Rents</p>
<p>1.03</p>	<p>The Social Housing Rents policy was introduced by Welsh Government (WG) in April 2015 for local authorities and is in place for four years with 2018/19 the final year. The policy aims to achieve convergence between Council and Housing Association rents over time.</p> <p>The Welsh Government rent policy requires all service charges to be disaggregated from rents. The Council is in the process of completing this and proposals included in the business plan assume implementation of charges for all services on a phased basis.</p> <p>The Welsh Government policy allows 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 for existing stock at target to support tenant affordability. Rents for new builds have been set at 5% above target.</p> <p>The rent policy sets out the total target rent band for each landlord. 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 tenancy 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 2017 was 3% plus 1.5% giving rent inflation for 2018/19 of 4.5%. The council is concerned about the affordability of a significant increase in rents for tenants in the context of the need to introduce further charging for services and the roll out of Welfare Reforms and Universal Credit in particular, which is already having a significant impact on tenants.</p> <p>Therefore at the request of the Cabinet Member and Leader of the Council the service has prepared a draft business plan with an increase of CPI only (plus or minus £2).</p> <p>Welsh Government has confirmed that it will not penalise any Council setting a lower increase, as the September CPI figure was higher than it has been for some time. Setting a lower increase reduces income by £300,000 in 18/19, and does not have a negative impact on the Council's ability to meet the WHQS standard by 2020 nor its new build programme commitments.</p> <p>Increasing rents by the additional 1.5% increases expected income by an additional £0.304m in 2018/19 (£6m over the life of the plan).</p>

	<p>Rent increases and service charges are covered by Universal Credit and Housing Benefit for social tenants however, a proportion of tenants will only qualify for partial benefit and so may find it more difficult to make payments.</p> <p>A number of general needs tenants are also housed in properties which attract service charges. They may not receive help towards their rent and service charges from Housing Benefit or Universal Credit.</p>
	Garage Rents
1.04	Garage rents are currently charged at £6.57 per week and garage plots £1.20 per week. An increase of £1 per week is proposed for garages and £0.20 for garage plots.
	Capital programme
1.05	<p>£21m has been built into the WHQS and Asset investment programme for 2018/19. This includes provision for internal work streams, external enveloping works, environmental programmes, fire risk work and Disability Facility Grant (DFG) 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, £11.8m of prudential borrowing has been budgeted in 2018/19 for Council housing building schemes. Affordable Housing Grant of £1.9m and proposed use of commuted sums of £0.4m allow £14.2m in total for SHARP developments during 2018/19.</p> <p>No additional grant has been built into the plan at this stage.</p> <p>Attached to this report for Cabinet consideration: -</p> <ul style="list-style-type: none"> • HRA 30 year Business Plan – Appendix A • 30 year HRA business plan summary – Appendix B • Capital programme for 2018/19 - 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 continue its Council house building programme in 2018.
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.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>The draft budget was discussed with the Tenants' Federation at their February meeting. They welcomed the Council's consideration of the options for agreeing a lower increase than the rent formula; as they share concerns about the affordability of any rent increase alongside increases in food and fuel costs and the roll out of Universal Credit.</p> <p>The Community and Enterprise Overview and Scrutiny committee considered and supported the draft budget and business plan at their meeting on 15th January 2018. They welcomed the Leader and Cabinet member recommendation to set a rent increase of 3% (plus up to or minus £2), with target rents applied for new tenancies.</p>
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.

4.00	RISK MANAGEMENT
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 (with the exception of SHARP properties). 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 Council's 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.

5.00	APPENDICES
5.01	<p>Appendix A HRA 30 year Business Plan – A(i)</p> <p>Appendix B 30 year HRA business plan summary</p> <p>Appendix C Capital programme for 2018/19</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Clare Budden, Chief Officer (Community & Enterprise) Telephone: 01352 703800</p>

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7.00 GLOSSARY OF TERMS

7.01 **Financial Year:** the period of 12 months commencing on 1 April 2018.

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.

Capital expenditure: money spent by the organisation on acquiring or maintaining fixed assets, such as land, buildings, and equipment.

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.

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.

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

Affordable Housing Grant: Welsh Government grant paid to local authorities to fund up to 58% of new build development costs.

De-pooling of Rents: Removal of service charges from core rents and identifying them separately for those in receipt of services.