

COMMUNITY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting	Wednesday 6 November 2019
Report Subject	Housing Revenue Account (HRA) Capital Programme 2020/21
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer (Housing & Assets)
Type of Report	Strategic

EXECUTIVE SUMMARY

The purpose of this report is to present for approval the draft Housing Revenue Account (HRA) Capital programme for 2020/21.

RECOMMENDATIONS

1	Approve and recommend to the Council the HRA Capital programme for 2020/2021. This may be subject to change based on the outcome of the rent policy which will become available in December 2019.
2	Approve the proposed HRA Capital programme for 2020/21 as set out in Appendix 1.

REPORT DETAILS

1.00	EXPLAINING THE HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME 2020/21						
1.01	<p>Considerations</p> <p>The HRA Capital programme invests resources into the HRA Assets. The proposed programme is aligned to the HRA Business plan and the overall Council plan.</p> <p>The strategic context for this year's HRA Capital programme includes the following:</p> <ul style="list-style-type: none"> • The Capital programme is dependent on the overall funding available within the HRA. The final decision on the rent setting policy will not be communicated until later on in the year and therefore the final programme is subject to change. • The proposals detailed in this report are based on the funding levels agreed in the Business Plan for 2019/20. • Achieving WHQS by 2020 and providing adequate ongoing capital to maintain WHQS levels. • Delivery of new build Council housing. 						
1.02	<p>Prudential Borrowing</p> <p>On the 29th October 2018, the Welsh Government Minister for Housing & Regeneration wrote to all Local Housing Authorities to confirm that the decision to lift the cap on local authority HRA borrowing will now also apply in Wales.</p> <p>Work is currently underway through legal colleagues to terminate the Voluntary Agreements under which each authority exited the former Housing Revenue Account Subsidy scheme. The draft business plan proposals do not breach the existing debt cap during 2019/20.</p>						
1.03	<p>Current Borrowing</p> <p>The WHQS programme and Asset investment can be funded without the need to borrow. However SHARP will need to borrow as Capital receipts have been utilised in previous years.</p> <p>The current prudential borrowing assumptions for 2020/21 are:-</p> <table border="1"> <tr> <td>Purpose</td><td>£m</td></tr> <tr> <td>New Builds</td><td>9.994</td></tr> <tr> <td>Total</td><td>9.994</td></tr> </table>	Purpose	£m	New Builds	9.994	Total	9.994
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	<p>Prudential borrowing interest rates have been included in the business plan at 4.3% per annum. The HRA currently benefits from any non-recurring savings generated by the single debt pool arrangement it holds with the Council Fund.</p>																		
1.04	<p>Capital Programme</p> <p>The 2020/21 Capital programme is being brought forward for approval in line with the Council Fund Capital programme.</p> <p>£19.293m has been built into the WHQS and Asset investment programme for 2020/21. This includes provision for internal work streams, external enveloping works, environmental programmes, fire risks and Disability Discrimination Act (DDA) works, asbestos, off gas, energy efficiency works and strategic acquisition. 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. The budget is broken down as follows:</p> <table border="1"> <thead> <tr> <th>Asset Investment Budget Breakdown</th><th>£m</th></tr> </thead> <tbody> <tr> <td>WHQS</td><td>17.914</td></tr> <tr> <td>DFG's</td><td>1.104</td></tr> <tr> <td>Energy Efficiency</td><td>0.275</td></tr> <tr> <td>Total</td><td>19.293</td></tr> </tbody> </table> <p>In addition, £11.171m has been budgeted in 2020/21 for Council housing new build, development Batches 3&4 building schemes, which will increase the housing stock by 177 properties:</p> <table border="1"> <thead> <tr> <th>Asset Investment Budget Breakdown</th><th>£m</th></tr> </thead> <tbody> <tr> <td>Batch 3</td><td>0.524</td></tr> <tr> <td>Batch 4</td><td>10.647</td></tr> <tr> <td>Total</td><td>11.171</td></tr> </tbody> </table>	Asset Investment Budget Breakdown	£m	WHQS	17.914	DFG's	1.104	Energy Efficiency	0.275	Total	19.293	Asset Investment Budget Breakdown	£m	Batch 3	0.524	Batch 4	10.647	Total	11.171
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1.05	<p>Funding</p> <p>The £30.464m capital programme will be funded by:-</p> <table border="1"> <thead> <tr> <th>WHQS & Asset Investment Funding</th><th>£m</th></tr> </thead> <tbody> <tr> <td>Revenue Contribution (CERA)</td><td>13.953</td></tr> <tr> <td>Major Repairs Allowance</td><td>5.065</td></tr> <tr> <td>Energy Efficiency</td><td>0.275</td></tr> <tr> <td>Total</td><td>19.293</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>New Build Funding</th><th>£m</th></tr> </thead> <tbody> <tr> <td>Prudential Borrowing</td><td>9.944</td></tr> <tr> <td>Capital Receipts</td><td>1.227</td></tr> <tr> <td>Total</td><td>11.171</td></tr> </tbody> </table>	WHQS & Asset Investment Funding	£m	Revenue Contribution (CERA)	13.953	Major Repairs Allowance	5.065	Energy Efficiency	0.275	Total	19.293	New Build Funding	£m	Prudential Borrowing	9.944	Capital Receipts	1.227	Total	11.171
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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 2020.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	All Council 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.
4.02	The Business Plan assumes a confirmation of Major Repairs Allowance (MRA) for 2020/21 and beyond, however, Welsh Government have indicated that the purpose of the funding will be reviewed in the future.
4.03	The potential impact of BREXIT on interest rates and inflation has been mitigated by increasing the estimated assumptions included in the business plan.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	Detailed consultation has been undertaken with tenants and elected members to inform the preparation of the WHQS investment programme.
4.02	Full local consultation is carried out for each new build scheme.

5.00	APPENDICES
5.01	Appendix 1 – HRA Capital Programme 2020/21.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None.

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Neal Cockerton, Chief Officer (Housing & Assets) Telephone: 01352 702500 E-mail: neal.cockerton@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Financial Year: the period of 12 months commencing on 1 April 2020.</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> <p>Major Repairs Allowance: Welsh Government grant paid to local authorities in Wales who still manage and maintain their council housing.</p>