

**COMMUNITY, HOUSING AND ASSETS OVERVIEW AND SCRUTINY
COMMITTEE**

Date of Meeting	Wednesday 20 January 2021
Report Subject	Housing Revenue Account (HRA) 30 Year Financial Business Plan
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer, Housing and Assets
Type of Report	Strategic

EXECUTIVE SUMMARY

The purpose of this report is to present for consideration and comment the draft HRA 30 year Financial Business Plan and the proposed HRA Budget for 2021/22.

RECOMMENDATIONS

1	For Scrutiny to review and consider the HRA budget for 2021/22 as set out in the attached appendices.
2	For Scrutiny to review and consider the proposed rent increase of up to 0.68% (plus up to £2).
3	For Scrutiny to review and consider a garage rent increase of £0.20 per week and a garage plot increase of £0.03 per week.
4	For Scrutiny to review and consider freezing for one year an increase in Service Charge recovery.
5	For Scrutiny to review and consider the proposed HRA Capital programme for 2021/22 as set out in Appendix C.

REPORT DETAILS

1.00	EXPLAINING THE HRA BUSINESS PLAN 2021/22 UPDATE
1.01	<p>Considerations</p> <p>The HRA is required to produce a 30 year business plan</p> <p>The strategic context for this year's HRA budget setting includes the following:</p> <ul style="list-style-type: none">• To ensure affordability for tenants is at the core of our considerations;• Continued drive to ensure all service costs are efficient and that value for money can be achieved;• To ensure the treasury management strategy continues to meet the Housing Revenue Account's new and ongoing borrowing requirements;• Setting a balanced budget with a minimum of 4% surplus revenue over expenditure;• Maximisation of revenue efficiencies to minimise the borrowing required to meet Welsh Housing Quality Standards (WHQS) by 2021;• Delivery of new build Council housing.• Continued drive to ensure homes are Energy Efficient and explore Decarbonisation• Provision of adequate ongoing capital to maintain WHQS levels. <p>The draft business plan is set out in Appendix B and the proposed pressures and efficiencies in Appendix D.</p>
1.02	<p>Borrowing</p> <p>The deed to terminate the voluntary agreement for the HRA borrowing cap was signed on the 2nd December 2019, it is therefore important that going forward, increased borrowing in the HRA is carefully managed and monitored to ensure that it is sustainable and affordable to the business plan. Work is ongoing with Welsh Government to develop a set of prudential borrowing indicators to enable transparent monitoring of this going forward.</p> <p>The total HRA prudential borrowing proposed to be undertaken in 2021/22 is £12.538m taking our total anticipated prudential borrowing to £142.884m as at 31st March 2022.</p> <p>All prudential borrowing is repaid at 2% per year in line with the HRA's Minimum Revenue Provision (MRP).</p> <p>The HRA is part of the single debt pool for the Council, all borrowing for the Council is managed within one pool and the average borrowing rate for the Council is applied to all new borrowing in the HRA. The rate assumed in the Business plan is 3.87%.</p>

1.03 **Rents**

In December 2019, Welsh Government released the revised rent policy for a 5 year period beginning in April 2020/21.

The policy is designed to ensure that affordability for tenants is at the core of our considerations and when setting the rent uplift, landlords should consider value for money and the whole cost of living in a property as part of their rationale for setting rents.

The Rent Policy for Social Housing Rents sets out the following:

- An annual rent uplift of up to CPI+1%, for 5 years to 2024/25 using the level of CPI from the previous September each year. September 2020 was 0.5%.
- The level of rents for individual tenants can be frozen or rise by up to an additional £2 over and above CPI+1%, on condition that total rental income collected by the social landlord increases by no more than CPI+1% (1.5%).

The previous Rent policy also set target rents for each type of property to ensure consistency in rent setting, this has been introduced over a number of years on a transitional basis so that tenants paying under target rent would see no more than inflation plus £2 increase per annum.

The recommended option would be to apply an overall uplift of 0.68% to all tenants and, in addition, apply the transitional uplift of £2 to tenants who currently pay at least £3 under target rent. The average rents per property type are set out in Appendix A.

This ensures that no individual tenant will pay more than the maximum allowed under the policy but continues to move towards readdressing the disparity between those rents under and those at target rent, seeking to make rent charges to all tenants more equitable.

The above recommendation would forecast rental income at £37.384m in 2021/22

1.04 **Garage Rents**

The proposed garage rent increase for 2021/22 is £0.20 per week which takes the garage rent per week to £10.03 (based on 52 weeks), the proposed garage plot increase is £0.03 per week taking the garage plot rent to £1.63 per week.

The business plan anticipates income levels of £0.464m for garage and garage plots.

1.05	<p>Service Charges</p> <p>The rent and service charge policy was introduced by Welsh Government in 2015 and expected all Local Housing Associations (LHA's) to be achieving full cost recovery. This position is consistent with the Councils overarching position which seeks to recover costs for those eligible services it provides to its customers. In relation to this the HRA has been working towards a full cost recovery position for those services subject to a service charge and a transition plan has been in place to ensure that this is achieved.</p> <p>In 2020/21 weekly service charges were increased based on a stepped approach over a two year period with the final phase of the increase to be implemented in 2021/22. It is proposed to delay this final increase and freeze service charges next financial year. The aim of this course of action is to protect tenants who will be experiencing financial difficulty as a result of the pandemic as well as undertaking further work to ensure those services currently subject to service charges are of a high standard and represent value for money.</p>
1.06	<p>Capital Programme</p> <p>The total proposed capital programme for 2021/22 is £34.835m, summarised in Appendix C.</p> <p>Welsh Government have agreed a one year extension to the Welsh Housing Quality Standard beyond the 2020 deadline for all stock retaining social landlords who have not been able to finalise programmes due to Covid-19. The business plan reflects the revised completion date of WHQS following the granting of the extension.</p> <p>Estate Remodelling capital investment has also been introduced for 2021/22.</p> <p>Revised WHQS</p> <p>Welsh Government are currently developing the revised standard for WHQS and it is expected that this will not commence until January 2022 at the earliest.</p> <p>The expectation is that there will be two areas of significant change</p> <p style="padding-left: 40px;">Affordable warmth and carbon reduction Measurement and reporting</p> <p>Welsh Government recommend that this is flagged as a developing area and that options are considered in our sensitivity analysis when developing future plans.</p> <p>SHARP</p> <p>£14.052m has been built into the 2021/22 plan for new Council housing. The programme currently has 8 schemes which will provide an additional 71 properties. One of the pipeline schemes is working in partnership with the Homelessness team to provide much needed Homeless accommodation.</p>

	<p>The business plan also assumes 50 units of new housing will be delivered each year.</p> <p>From 2021/22 Welsh Government will offer Social Housing Grant (SHG) to stock owned authorities calculated using a new Standard Viability Model. The new Model uses standard assumptions to discount income and costs over a set period to calculate the funding gap i.e. the grant allowable for each scheme. The pipeline schemes within the Business Plan have assumed an element of SHG funding.</p> <table border="1"> <thead> <tr> <th>Asset Investment Budget Breakdown</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Pipeline Schemes</td> <td>7.637</td> </tr> <tr> <td>Schemes agreed in 2020/21 report</td> <td>6.415</td> </tr> <tr> <td>Total</td> <td>14.052</td> </tr> </tbody> </table>	Asset Investment Budget Breakdown	£m	Pipeline Schemes	7.637	Schemes agreed in 2020/21 report	6.415	Total	14.052														
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1.07	<p>Capital Funding</p> <p>The £34.835m 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>13.167</td> </tr> <tr> <td>Major Repairs Allowance</td> <td>5.065</td> </tr> <tr> <td>Energy Efficiency Feed in Tariff</td> <td>0.275</td> </tr> <tr> <td>Commutated Sums</td> <td>0.074</td> </tr> <tr> <td>Prudential Borrowing</td> <td>2.202</td> </tr> <tr> <td>Total</td> <td>20.783</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>10.336</td> </tr> <tr> <td>Capital Receipts</td> <td>3.716</td> </tr> <tr> <td>Total</td> <td>14.052</td> </tr> </tbody> </table>	WHQS & Asset Investment Funding	£m	Revenue Contribution (CERA)	13.167	Major Repairs Allowance	5.065	Energy Efficiency Feed in Tariff	0.275	Commutated Sums	0.074	Prudential Borrowing	2.202	Total	20.783	New Build Funding	£m	Prudential Borrowing	10.336	Capital Receipts	3.716	Total	14.052
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1.08	<p>Reserves</p> <p>There is a requirement to hold a minimum level of reserves of 3% of expenditure. As the level of financial risk in the HRA is rising due to increased borrowing levels for new build it is recommended that the HRA moves to 4% as a prudent reserve level. This equates to £205.00 per unit.</p> <p>It is also recommended that this is reviewed yearly in line with the HRA's proposed borrowing commitments and prudential debt indicators.</p>																						

2.00	RESOURCE IMPLICATIONS
2.01	<p>The HRA is a ring fenced budget. This HRA budget and Business Plan demonstrates that the council can achieve the WHQS by 2021, can meet service improvement plans and commitments and with prudential borrowing can continue its Council house building programme in 2021.</p>

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT	
3.01	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.	
3.02	The Business Plan assumes a Welsh Government allocation of Major Repairs Allowance (MRA) for 2021/22 and beyond, however, Welsh Government have indicated that the purpose of the funding will be reviewed in the future.	
3.03	The potential impact of BREXIT on interest rates and inflation has been mitigated by increasing the estimated assumptions included in the business plan.	
3.04	Ways of Working (Sustainable Development) Principles Impact	
	Long-term	Positive – There is a commitment to increase supply to provide the right types of homes in the right location.
	Prevention	Positive – It is our aim to provide support to ensure people live and remain in the right type of home.
	Integration	Positive - Achieving WHQS for all existing council houses and delivering new social housing will contribute to the integration within communities.
	Collaboration	Positive - To deliver in partnership with stakeholders to support positive impacts for all our tenants.
	Involvement	Positive - Communication with tenants, Members and other stakeholders.
	Well-being Goals Impact	
	Prosperous Wales	Positive – Existing social homes are WHQS compliant and meet the changing housing needs. Also Providing good quality new social homes aiming for low/zero carbon. Maximising local employment and training opportunities for local people.
	Resilient Wales	Positive – Developing low / zero carbon homes through modern methods of construction and technologies. Ensuring that all statutory compliance requirements are adhered to.

	Healthier Wales	Positive – Ensuring all existing homes and new homes are fit for purpose and meet the needs of all people.
	More equal Wales	Positive - Provide good quality homes for the most vulnerable people in society.
	Cohesive Wales	Positive – Contributing to attractive, viable and safe communities
	Vibrant Wales	Positive – Ensuring all communities housing needs are supported
	Globally responsible Wales	Positive – The HRA Business Plan will contribute to the improvement of the economic, social, environmental and cultural wellbeing of Wales.

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 A – Summary HRA Rent Charges 2021/22.
5.02	Appendix B – Draft 30 Year HRA Financial Business Plan Summary.
5.03	Appendix C – Draft Capital Programme 2021/22.
5.04	Appendix D – Draft Pressures and Efficiencies 2021/22.

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

8.00	GLOSSARY OF TERMS
8.01	<p>Financial Year: the period of 12 months commencing on 1 April 2021</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> <p>Major Repairs Allowance: Welsh Government grant paid to local authorities in Wales who still manage and maintain their council housing.</p>