

CAERPHILLY HOMES TASK GROUP - 3RD JULY 2014

SUBJECT: REVISED BUSINESS PLAN FOR THE DELIVERY OF THE WHQS (WELSH HOUSING QUALITY STANDARD) BY 2019/20

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To advise Members of a revised Business Plan in respect of the delivery of the WHQS programme which requires Council approval for the HRA (Housing Revenue Account) to prudentially borrow up to £55 m.

2. SUMMARY

- 2.1 On 11 October 2011, Council approved the Council's retention Business Plan which required £61.3 m prudential borrowing to achieve the WHQS by 2019/20. This borrowing comprised £22 m relating to General Fund and £39.3 m to the HRA.
- 2.2 This Plan was submitted to Welsh Government (WG) and endorsed.
- 2.3 This report outlines the need to change the profile of this borrowing requirement to ensure that the WHQS programme can still be funded and delivered by 2019/20. Council approval of the Business Plan and revised borrowing requirement will allow WG to release the Authority's Major Repairs Allowance (MRA) which totals c £7.3 m per annum.

3. LINKS TO STRATEGY

- 3.1 The Welsh Housing Quality Standard is intended to ensure that all Local Authority and Housing Association Homes are improved and maintained to specified standards.
- 3.2 This report links to the National Housing Strategy "Sustainable Homes" (WG), and the Council's Local Housing Strategy "People, Property, and Places".
- 3.3 The Single Integrated Plan 2013-2017 has a priority to "Improve standards of housing and communities giving appropriate access to service across the County Borough".

4. THE REPORT

- 4.1 The Business Plan is a working document and is constantly updated to reflect any changes in its original assumptions to ensure that it remains viable. All changes work on the basis that the £200 m programme must be completed in 2019/20. To date, all changes made to the Plan have not led to a requirement to exceed the borrowing limits of £61.3 m (£22 m General Fund, £39.3 m HRA) originally agreed by Council on 11 October 2011. In most recent Plans, the future requirement of the HRA level of borrowing had reduced to £31 m, with General Fund borrowing also reducing by £10 m to £12 m. The later reduction was a consequence of savings agreed by Council for the Budget 14/15.

- 4.2 The Business Plan relies on funding of some £7.3 m of Major Repairs Allowance (MRA) that is granted by WG annually. WG require a viable Business Plan each year before the MRA is awarded. On receipt of the MRA application to WG for 2014/15, which included a revised Business Plan, the WG technical department queried the General Fund contribution to Housing and advised that the funding of the contribution was indirectly revenue related and subsequently affected the ring fence criteria. The ring fence is a financial regime that Councils operate under. It is governed by the Local Government and Housing Act 1989 (LGHA) which limits transfers from the General Fund (revenue) to the HRA (revenue) and vice versa unless under certain prescribed circumstances. There is no ring fence in relation to capital.
- 4.3 This is a grey area that is not strictly defined in the LGHA. The capital contribution from the General Fund to the HRA can be accepted, but the actual servicing of that debt is questionable as it would be funded from General Fund revenue, which is ring fenced. Clarification was sought from the Authority's Financial Advisors, Arlingclose, who advised the Authority to follow the interpretation of WG's Technical Team on the ring fence criteria.
- 4.4 This resulted in a need to amend the latest Business Plan to remove the £12 m General Fund borrowing contribution and increase the HRA level of unsupported borrowing. To maintain the £200 m of spend that is needed to achieve the WHQS by 2019/20, the Business Plan requires £55 m of unsupported borrowing solely from the HRA compared to the original Council decision of £39.3 m. The business plan remains viable with £55 m of HRA borrowing.
- 4.5 As a consequence of the above, the General Fund is no longer required to borrow £12 m to fund the WHQS, which will result in a revenue saving of some £930 k p.a, which will assist the MTFP savings target for 2015/16.
- 4.6 It is important to note that no borrowing has actually been carried out to date, from either the General Fund or HRA to support the WHQS programme as sufficient funding has been identified in the early part of the programme from the MRA, revenue contributions, HRA surpluses and HRA capital receipts. The current plan assumes borrowing to commence in 2015/16 where £11.5 m of the £55 m is required to continue with the programme (refer to Appendix 1).
- 4.7 A draft Business Plan that requires the £55 m borrowing from the HRA has been endorsed by WG. Once Council approve the revised HRA borrowing requirement, a revised MRA application for 2014/15 will be forwarded to WG.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

6. FINANCIAL IMPLICATIONS

- 6.1 This report deals with the financial implications.

7 PERSONNEL IMPLICATIONS

- 7.1 There are no personnel implications.

8. CONSULTATION

- 8.1 There are no consultation responses, which have not been included in this report.
- 8.2 Tenants have been advised of the updated position in respect of the revised borrowing at the Caerphilly Housing Task Group on 3 July 2014. Any comments from the CHTG will be reported verbally at Cabinet.

9. RECOMMENDATIONS

- 9.1 Cabinet recommends to Council that unsupported borrowing for the HRA of £55 m can be drawn upon to ensure WHQS can be achieved by 2019/20 and the MRA can be released by WG.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To maintain a viable business plan which secures MRA funding and ensures that the WHQS programme remains on target to be achieved by 2019/20.

11. STATUTORY POWER

- 11.1 Housing Act 1985.

Author: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer
(Tel: 01443 864419) – E-mail: scammn@caerphilly.gov.uk

Consultees: Stuart Rosser, Interim Chief Executive
Cllr B Jones, Deputy Leader and Cabinet Member for Corporate Services
Cllr G Jones, Deputy Leader & Cabinet Member for Housing
Angharad Price, Deputy Monitoring Officer
Phil Davy, Head of Programmes
Shaun Couzens, Chief Housing Officer
Stephen Harris, Acting Head of Corporate Finance
Lesley Allen, Group Accountant, Housing

Appendices:

Appendix 1 Extract from 2014/15 Business Plan