



Report of the Section 151 Officer

Cabinet – 14 February 2019

Housing Revenue Account (HRA) Revenue Budget 2019/20

Purpose:	This report proposes a Revenue Budget for 2019/20 and a rent increase for properties within the HRA.
Policy framework:	None.
Reason for Decision:	To agree a revenue budget as indicated and a rent increase for 2019/20.
Consultation:	Cabinet Members, Finance & Legal.
Recommendations:	The following budget proposals be recommended to Council for approval: a) Rents to be increased in line with the Welsh Government interim policy as detailed in section 3. b) Fees, charges and allowances are approved as outlined in section 3. c) The revenue budget proposals as detailed in section 3.
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Finance Officer:	Aimee Dyer
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The setting of the revenue budget has to take account of the following issues and factors:-
- the requirement to achieve the Welsh Housing Quality Standard (WHQS);
 - the funding requirements of the More Homes Programme;
 - future income and expenditure trends;
 - increases in rent in line with the rent policy;
 - the effect on tenants of rent increases;

1.2 The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to make progress in achieving the WHQS and to build affordable housing in line with the More Homes Programme.

2. Projected Revenue Outturn 2018/19

2.1 There is a forecast underspend on HRA Revenue management and maintenance budgets of £140k. This comprises of an underspend on employee costs (£270k) and transport costs (£20k). These underspends are offset by a forecast overspend on revenue repair costs (£150k). In addition there is a forecast underspend on finance costs of £1.1m as a result of lower than anticipated borrowing and a reduction in the 'pooled' rate of interest.

2.2 The forecast revenue contribution to the 2018/19 Capital Programme has increased by £1.7m as a result of higher than anticipated balances carried forward and a reduction in the borrowing requirement. As a result the forecast for the balances carried forward has reduced to £5.9m.

3. Revenue Budget Proposals 2019/20

3.1 Overview

3.1.1 There is a projected surplus on the HRA next year of £25.1m. This surplus together with the planned use of reserves will contribute towards the capital programme of £67.3m in 2019/20. This is for further investment in WHQS and for the More Homes Programme.

3.1.2 The main changes from 2018/19 are an increase in management and maintenance costs of £1.4m. This is mainly as a result of the 2% pay rise, increments and an increase in employer's pension contributions of £0.6m and an increase in the revenue repairs budget of £0.5m due to inflationary pressures. Capital charges reduced by £0.4m as a result of the lower than anticipated borrowing and a reduction in interest charges.

3.1.3 The main changes to funding/income are an increase in rent and other income of £1.7m arising from the proposed rent increases £1.5m and the receipt of WG Affordable Housing Grant £0.2m.

3.1.4 The main changes from the 2018/19 budget are shown in the following table:-

Item	£000
Increase in Revenue Contribution to Capital	1028
Effect of 2% pay rise and increase in pension contributions	590
Increase in Revenue Repairs Budget	547
Other Revenue Changes	265
Reduction in Finance Charges	-416
Affordable Housing Grant	-208
Additional income including 2.4% rent	-1500

increase	
Increase in the use of reserves	-306

3.2 *Rent Income*

3.2.1 The Welsh Government is currently reviewing their policy for setting social housing rents. This review is included as part of the larger Affordable Housing Review which is looking at the funding available to build more Affordable Housing. The findings of this review are due to be published in April 2019. In the interim, the Minister has announced that the maximum for 2019/20 will be in line with the Consumer Price Index for September 2018 which was 2.4%.

3.2.2 In February 2015, Council agreed to maximise the available rent income by using the full increase allowable under the WG policy. This policy on rent income directly helps fundamentally underpin our additional investment in the HRA capital programme.

3.2.3 After applying the national increase of 2.4%, the average rent for 2019/20 will be £95.59 (based on 50 weeks). This is an average increase of £2.24 per week.

3.3 *Inflation*

Provision has been included in the budget for an average annual pay increase of 2% from April 2019. In addition, budgets have been amended to reflect changes in employer's contributions for pensions. Other budgets, in particular repairs and maintenance and utility costs have been based on the latest prices.

3.4 *Capital Financing Charges*

Capital financing charges will reduce in 2019/20 as a result of lower borrowing costs.

3.5 *Fees, Charges and Allowances*

General fees, charges and allowances are to be increased either in line with the agreed rent increase of 2.4%.

3.6 *Contributions to the Capital Programme*

The additional income enables a contribution of £25.5m to the capital programme. A further £403k from reserves will also be utilised in supporting the capital programme.

4. **Risks and Uncertainties**

4.1 The main risk and uncertainty for next year is the ongoing impact of welfare reform measures, such as the potential increase in number of tenants in receipt of universal credit and what effect this will have on the level of income.

5. Reserves

- 5.1 The HRA balance at the start of this year was £6.8m and at the end of the current year it is estimated to be £5.893m. It is proposed that £403k is used next year to finance capital expenditure. The reserves position is detailed in Table B.

6. Equality and Engagement Implications

- 6.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 6.2 Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups.
- 6.3 An EIA screening form has been completed and reviewed. The agreed outcome was that a full EIA report is not required at this time. Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not is proportionately impact on protected groups. Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985.”

7 Legal Implications

- 7.1 Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985. Section 102 b) states that variation of the Rent shall be carried out in accordance with the provisions of the Tenancy Agreement. Section 2.6 of the Council's Tenancy Agreement states that Tenants must be given 4 week' notice before any Rent change.

Background Papers: None

Appendices: Appendix A - Table A: Summarised HRA 2018/19 to 2019/20 & Table B: Movement in Balances 2018/19 to 2019/20

Appendix B - Equality Impact Assessment Screening Form

Table A: Summarised HRA 2018/19 to 2019/20

Classification	Budget 2018/19	Budget 2019/20
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	29,657	31,059
Capital Charges	11,085	10,669
Revenue Funding for capital schemes	24,471	25,499
Total Expenditure	65,213	67,227
<u>Income</u>		
Rents and other income	65,116	66,616
Affordable Housing Grant	0	208
Use of balances	97	403
Total Income	65,213	67,227

Table B: Movement in Balances 2018/19 to 2019/20

Description	£000's
Actual balance at 1 st April 2018	6,781
Budgeted use 2018/19	-97
Budgeted balance 31st March 2019	6,684
Forecast use 2018/19	-888
Forecast balance 31st March 2019	5,893
Budgeted use 2019/20	-403
Forecast balance 31st March 2020	5,490

Equality Impact Assessment Screening Form – 2017/18

Please ensure that you refer to the Screening Form Guidance while completing this form. If you would like further guidance please contact the Access to Services team (see guidance for details).

Section 1	
Which service area and directorate are you from?	
Service Area:	Housing and Public Health
Directorate:	Place

Q1(a) WHAT ARE YOU SCREENING FOR RELEVANCE?

Service/ Function	Policy/ Procedure	Project	Strategy	Plan	Proposal
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(b) Please name and describe here:

This report proposes a Revenue Budget for 2019/20 and a rent increase in line with Welsh Government rent policy for properties within the HRA.

Q2(a) WHAT DOES Q1a RELATE TO?

Direct front line service delivery	Indirect front line service delivery	Indirect back room service delivery
<input type="checkbox"/> (H)	<input type="checkbox"/> (M)	<input checked="" type="checkbox"/> (L)

(b) DO YOUR CUSTOMERS/CLIENTS ACCESS THIS...?

Because they need to	Because they want to	Because it is automatically provided to everyone in Swansea	On an internal basis i.e. Staff
<input type="checkbox"/> (H)	<input checked="" type="checkbox"/> (M)	<input type="checkbox"/> (M)	<input type="checkbox"/> (L)

Q3 WHAT IS THE POTENTIAL IMPACT ON THE FOLLOWING...

	High Impact (H)	Medium Impact (M)	Low Impact (L)	Don't know (H)
Children/young people (0-18) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Older people (50+) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Any other age group →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race (including refugees) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Asylum seekers →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gypsies & travellers →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or (non-)belief →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sex →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual Orientation →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Welsh Language →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Poverty/social exclusion →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers) →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community cohesion →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marriage & civil partnership →	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Pregnancy and maternity →

Q4 WHAT ENGAGEMENT / CONSULTATION / CO-PRODUCTIVE APPROACHES WILL YOU UNDERTAKE?

Please provide details below – either of your planned activities or your reasons for not undertaking engagement

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- future income and expenditure trends;
- increases in rent in line with the rent policy;
- the effect on tenants of rent increases.
-

The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to make progress in achieving the WHQS and to build affordable housing in line with the More Homes Programme. Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985. Section 102 b) states that variation of the Rent shall be carried out in accordance with the provisions of the Tenancy Agreement. Section 2.6 of the Council's Tenancy Agreement states that Tenants must be given 4 weeks notice before any rent change.

Q5(a) HOW VISIBLE IS THIS INITIATIVE TO THE GENERAL PUBLIC?

High visibility
 (H)

Medium visibility
 (M)

Low visibility
 (L)

(b) WHAT IS THE POTENTIAL RISK TO THE COUNCIL'S REPUTATION? (Consider the following impacts – legal, financial, political, media, public perception etc...)

High risk
 (H)

Medium risk
 (M)

Low risk
 (L)

Q6 Will this initiative have an impact (however minor) on any other Council service?

Yes

No

If yes, please provide details below
Building Services, Legal, Finance

Q7 HOW DID YOU SCORE?

Please tick the relevant box

MOSTLY H and/or M → HIGH PRIORITY → EIA to be completed
Please go to Section 2

MOSTLY L → LOW PRIORITY / NOT RELEVANT → Do not complete EIA
Please go to Q8 followed by Section 2

Q8 If you determine that this initiative is not relevant for an EIA report, you must provide a full explanation here. Please ensure that you cover all of the relevant protected groups.

An EIA screening form has been completed and reviewed. The agreed outcome was that a full EIA report is not required at this time. Proposals for changing levels of funding in specific areas have been subject to a screening process. Service managers have considered the implications of proposed budgetary decisions and believe that the proposed budget protects the most vulnerable and will not disproportionately impact on protected groups. Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985.

Section 2

NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email – no electronic signatures or paper copies are needed.

Screening completed by:	
Name:	Paul Lilley
Job title:	Housing Finance Manager
Date:	21.1.19
Approval by Head of Service:	
Name:	Mark Wade
Position:	Head of Housing and Public Health
Date:	22.1.19

Please return the completed form to accesstoservices@swansea.gov.uk