



Report of the Section 151 Officer

Cabinet – 20 February 2020

Housing Revenue Account (HRA) Revenue Budget 2020/2021

Purpose:	This report proposes a Revenue Budget for 20/21 and a rent increase for properties within the HRA.
Policy framework:	None.
Consultation:	Cabinet Members, Finance, & Legal.
Recommendations:	<p>The following budget proposals be recommended to Council for approval:</p> <p>a) Rents to be increased in line with the new Welsh Government policy as detailed in section 3.</p> <p>b) Fees, charges and allowances are approved as outlined in section 4.</p> <p>c) The revenue budget proposals as detailed in section 4.</p>
Report Authors:	Mark Wade / Ben Smith
Finance Officer:	Aimee Dyer
Legal Officer:	Debbie Smith
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 and maintain the Welsh Housing Quality Standard (WHQS);
 - the funding requirements of the More Homes Programme;
 - future income and expenditure trends;
 - changes to the Welsh Governments rents policy;
 - the affordability of rent increases;

- cost efficiencies and value for money

1.2 The proposals in this report are based on the objective of maximising the resources available for investment in the housing stock to meet and maintain the WHQS and to build affordable housing in line with the More Homes Programme whilst considering the affordability of rents and other service charges for tenants.

2. Projected Revenue Outturn 2019/20

2.1 The current repairs forecast is £100k underspent, which is mainly due to lower than forecast spend on responsive repairs; which is partly offset by some additional electrical maintenance costs. In addition to this, there is £150k income from technical design fees and an underspend on employee costs of £160k due to higher than anticipated vacancies. As it stands, the slippage on the Capital Programme will lead to a reduction in capital finance costs, and we are forecasting this to be in the region of £1m. There are no other material budget issues to flag at this stage.

2.2 The forecast revenue contribution to the 2019/20 Capital Programme has increased by £1.9m 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 £5.6m.

3. Rent Income

3.1 The Welsh Government have outlined changes to their policy for setting social housing rents. In December 2019 the Minister for Housing and Local Government set out the policy for the five year period from April 2020. The new policy sets a maximum annual increase in rental income of Consumer Price Index plus 1%.

3.2 An intrinsic part of the new five year policy is that all social landlords will be expected to ensure that rents and service charges remain affordable for current and future tenants and carry out an assessment of cost efficiencies and value for money.

3.3 The proposed rent increase has taken into account the affordability of rents for tenants. The following factors have been examined;

- The proposed average rent is below the target social housing rent for Swansea set by the Welsh Government;
- The current average weekly rent compares favourably with other Welsh social landlords ranking 26th out of 49.
- The current average rent is significantly lower than the average private sector. The average private sector rent in Swansea is £136.54 per week.
- A significant number of tenants are in receipt of Housing Benefit or Universal Credit. These benefits will be increased to cover the proposed rent increase so tenants in receipt of these benefits will not be worse off.
- The tenants survey carried out in August 2019 found that 84.8% of tenants were satisfied that their rent provided value for money.

3.4 Under the Welsh Government's new rents policy the maximum rent increase allowed for 2020/21 would be 2.7%. This would equate to an average increase of £2.58 per week and an average weekly rent of £98.17 (based on 50 weeks).

4. Revenue Budget Proposals 2020/21

4.1 Overview

4.1.2 In line with the requirements of the Welsh Government's Rents Policy, budgets have been examined and where possible savings have been identified.

4.1.3 A detailed analysis of employee's budgets has been undertaken and budget efficiency savings of £253k have been identified. These savings have been offset by the pay increases outlined in 4.1.3. Other budget savings include a reduction of consultant services for Technical Supervision and a reduction in finance charges of £161k due to changes in borrowing costs and lower than anticipated borrowing.

4.1.4 The main budget increases from 2019/20 are an increase in the revenue contribution to capital of £1m required to fund investment to complete the Welsh Housing Quality Standard and for the More Homes Programme. An increase in the provision for bad debt of £500k due to the impact of Universal Credit. An increase in revenue repairs of £290k mainly as a result of the additional costs of bi-annual fire door servicing. The savings on employee costs outlined above are offset by an increase of £339k to fund the budgeted pay increase of 2.75%.

4.1.5 The main changes to funding/income are an increase in rent and other income of £1.88m arising from the proposed rent increases £1.83m and increases in other charges including charges for furnished tenancies and some sheltered service charges of £50k. In addition there is an increase in Affordable Housing Grant from Welsh Government of £138k to contribute to the More Homes Schemes.

4.1.6 The main changes from the 2019/20 budget are shown in the following table:-

Item	£000
Increase in Revenue Contribution to Capital	958
Increase in the provision for bad debts	500
Increase in Revenue Repairs Budget	290
Effect of 2.75% pay rise	339
Reduction in the use of reserves	403
Other Revenue Reductions	-64
Increase in Affordable Housing Grant	-138
Reduction in Finance Charges	-161
Employee Savings	-253
Additional income including 2.7% rent increase	-1878

4.1.7 There is a projected surplus on the HRA next year of £26.5m. This surplus will contribute towards the capital programme of £52.6m in 2020/21. This investment is needed to complete work to meet the WHQS and for the More Homes Programme.

4.2 *Inflation*

Provision has been included in the budget for an average annual pay increase of 2.75% from April 2020. Other budgets, in particular repairs and maintenance and utility costs have been based on the latest prices.

4.3 *Capital Financing Charges*

Capital financing charges will reduce in 2020/21 as a result of lower borrowing costs and lower than anticipated borrowing brought forward.

4.4 *Fees, Charges and Allowances*

General fees, charges and allowances are to be increased either in line with the agreed rent increase of 2.7% or with CPI.

4.5 *Contributions to the Capital Programme*

The additional income enables a contribution of £26.5m to the capital programme.

5. **Risks and Uncertainties**

5.1 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. In addition, there are other economic uncertainties as a result the impact of BREXIT which could impact on inflation and interest rates.

6. **Reserves**

6.1 The HRA predicted balance at the start of the year will be £5.57m. This is considered to be in line with the minimum level of reserves which is considered prudent and therefore reserves will not be used to finance capital expenditure in 2020/21. The reserves position is detailed in Table B.

7. **Equality and Engagement Implications**

7.1 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.

- 7.2 The proposed HRA budget has been subject to the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

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.

8 Legal Implications

- 8.1 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 weeks notice before any Rent change.

Background Papers: None

Appendices:

Appendix A - Table A: Summarised HRA 2019/20 to 2020/21

Table B: Movement in Balances 2019/20 to 2020/21

Appendix B - Equality Impact Assessment Screening Form

Table A: Summarised HRA 2019/20 to 2020/21

Classification	Budget 2019/20	Budget 2020/21
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	31,059	31,871
Capital Charges	10,669	10,508
Revenue Funding for capital schemes	25,499	26,457
Total Expenditure	67,227	68,836
<u>Income</u>		
Rents and other income	66,616	68,494
Affordable Housing Grant	208	346
Use of balances	403	
Total Income	67,227	68,836

Table B: Movement in Balances 2019/20 to 2020/21

Description	£000's
Actual balance at 1 st April 2019	6,156
Budgeted use 2019/20	-403
Budgeted balance 31st March 2020	5,753
Forecast use 2019/20	-582
Forecast balance 31st March 2020	5,574
Budgeted use 2020/21	
Forecast balance 31st March 2021	5,574

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 type="checkbox"/>	<input checked="" 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. The proposed rent increase has taken into account the affordability of rents for tenants. The following factors have been examined;

- The proposed average rent is below the target social housing rent for Swansea set by the Welsh Government;
- The current average weekly rent compares favourably with other Welsh social landlords ranking 26th out of 49.
- The current average rent is significantly lower than the average private sector. The average private sector rent in Swansea is £136.54 per week.
- A significant number of tenants are in receipt of Housing Benefit or Universal Credit. These benefits will be increased to cover the proposed rent increase so tenants in receipt of these benefits will not be worse off.
- The tenants survey carried out in August 2019 found that 84.8% of tenants were satisfied that their rent provided value for money.

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 checked="" type="checkbox"/> (M)	<input 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	→	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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

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 new Welsh Government rent policy;
- the effect on tenants of rent increases.
- cost efficiencies and value for money

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.

The proposed HRA budget has been subject to the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

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:	21/01/2020
Approval by Head of Service:	
Name:	Mark Wade
Position:	Head of Housing and Public Health
Date:	21/01/2020