



Report of the Section 151 Officer

Council – 4 March 2021

Housing Revenue Account (HRA) - Revenue Budget 2021/22

| | |
|------------------------------------|--|
| Purpose: | This report proposes a Revenue Budget for 21/22 and a rent increase for properties within the HRA |
| Policy Framework: | None. |
| Consultation: | Cabinet Members, Finance, & Legal |
| Recommendation(s): | It is recommended that the following budget proposals be approved: 1) Rents to be increased in line with the new Welsh Government policy as detailed in section 3; 2) Fees, charges and allowances are approved as outlined in section 4; 3) The revenue budget proposals as detailed in section 4. |
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| Finance Officer: | Aimee Dyer |
| Legal Officer: | Debbie Smith |
| Access to Services Officer: | Catherine Window |

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 2020/21

- 2.1 The Covid situation has had a considerable impact on the HRA revenue budget in 2020/21. The revenue repairs budget is forecast to be significantly underspent by £1m due to Covid restrictions on entering properties. The crisis has also impacted the delivery of the HRA Capital Programme with commensurate reduction in spend and revenue financing costs. It is forecast that financing costs could be reduced by around £0.55m. There are also underspends on transport and employees of £0.17m.
- 2.2 Whilst income collection rates have not been significantly affected, the economic impact of the crisis continues and rent income is being closely monitored.

3. Rent Income

- 3.1 The Welsh Government have made 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;
- Based on the most up to date information available, the current average weekly rent compares favourably with other Welsh social landlords ranking 26th highest out of 49.
 - The current average rent is significantly lower than the average private sector. The latest available figure for 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.
 - The latest 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 2021/22 would be 1.5%. This would equate to an average increase of £1.47 per week and an average weekly rent of £99.64 (based on 50 weeks).

4. Revenue Budget Proposals 2021/22

4.1 Overview

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

4.1.2 A detailed analysis of office running costs budgets has been undertaken linked to the outcome of the Housing Commissioning Review and budget efficiency savings of £26k have been identified.

4.1.3 The main budget increases from 2020/21 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 Insurance costs of £82k largely as a result of an increase in the budget for disrepair claims and an increase in the costs of insuring High Rise blocks. In addition, an inflationary increase in revenue repairs of £70k, an increase in the provision for bad debt of £29k due to the impact of Universal Credit and an increase in IT licence fee costs of £26k to fund the Housing Digital Portal.

4.1.4 The main changes to funding/income are an increase in rent and other income of £1.12m arising from the proposed rent increases and £0.02m from increases in other charges including charges for furnished tenancies and some sheltered service charges.

4.1.5 The main changes from the 2020/21 budget are shown in the following table:-

| Item | £000 |
|---|--------|
| Increase in Revenue Contribution to Capital | 1,000 |
| Increase in insurance costs | 82 |
| Increase in Revenue Repairs Budget | 70 |
| Increase in the use of reserves | 48 |
| Increase in the provision for bad debts | 30 |
| Increase in IT costs | 27 |
| Reduction in Finance Charges | -109 |
| Reduction in office running costs | -26 |
| Additional income including 1.5% rent increase and increases in other charges | -1,123 |

4.1.6 There is a projected surplus on the HRA next year of £27.5m. This surplus will contribute towards the capital programme of £59.08m in 2021/22. This investment is needed to complete work to meet the WHQS and for the More Homes Programme.

4.2 Inflation

No provision has been included in the budget for an average annual pay increase other than an increase of £250 for staff on spinal point 15 and below. 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 2021/22 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 1.5% or with CPI.

4.5 *Contributions to the Capital Programme*

The additional income enables a contribution of £27.5m to the capital programme.

5. Risks and Uncertainties

- 5.1 The main risk and uncertainty for next year is the ongoing impact of the Covid pandemic with a potential increase in the number of tenants moving onto benefits such as of universal credit which could have an impact on levels of income collection. 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 £5.53m. 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 2021/22. 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.

- 7.3 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 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 1 - Table A: Summarised HRA 2020/21 to 2021/22

- Table B: Movement in Balances 2020 to 2021/22

Appendix 2 – Equality Impact Assessment Screening Form

Table A: Summarised HRA 2020/21 to 2021/22

| Classification | Budget 2020/21 | Budget 2021/22 |
|-------------------------------------|---------------------------|---------------------------|
| | £'000 | £'000 |
| <u>Expenditure</u> | | |
| Management and Maintenance | 31,871 | 32,059 |
| Capital Charges | 10,508 | 10,399 |
| Revenue Funding for capital schemes | 26,457 | 27,457 |
| Increase in Balances | | 48 |
| Total Expenditure | 68,836 | 69,963 |
| <u>Income</u> | | |
| Rents and other income | 68,494 | 69,617 |
| Affordable Housing Grant | 346 | 346 |
| Total Income | 68,836 | 69,963 |
| | | |

Table B: Movement in Balances 2020/21 to 2021/22

| Description | £000's |
|--|---------------|
| Actual balance at 1 st April 2020 | -5,341 |
| Budgeted use 20/21 | 0 |
| Budgeted balance 31st March 2021 | -5,341 |
| Forecast change 2020/21 | -191 |
| Forecast balance 31st March 2021 | -5,532 |
| Budgeted change 2021/22 | -48 |
| Forecast balance 31st March 2022 | -5,580 |

Equality Impact Assessment Screening Form – Appendix 2

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 2021/22 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 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

(H)

Indirect front line
service delivery

(M)

Indirect back room
service delivery

(L)

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

Because they
need to

(H)

Because they
want to

(M)

Because it is
automatically provided to
everyone in Swansea

(M)

On an internal
basis
i.e. Staff

(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:-

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- 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 and IT Coordinator |
| Date: | 22/01/2021 |
| Approval by Head of Service: | |
| Name: | Mark Wade |
| Position: | Head of Housing and Public Health |
| Date: | 26/01/2021 |

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