



Report of the Section 151 Officer

Cabinet – 15 February 2024

Housing Revenue Account (HRA) Revenue Budget 24/25

| | |
|------------------------------------|--|
| Purpose: | This report proposes a Revenue Budget for 2024/25 for the Housing Revenue Account |
| Policy Framework: | None. |
| Consultation: | Cabinet Members, Finance, & Legal |
| Recommendation(s): | It is recommended that the following budget proposals be recommended to Council for approval: 1) The revenue budget proposals as detailed in section 4. |
| Report Authors: | Carol Morgan / Ben Smith |
| Finance Officer: | Peter Keys |
| Legal Officer: | Adrian Jeremiah |
| 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 maintain the Welsh Housing Quality Standard (WHQS);
- the requirements of the Renting Homes (Wales) Act 2016
- the funding requirements of the More Homes Programme;
- future income and expenditure trends;
- the Welsh Governments rents policy;
- 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 Council priorities including maintaining the Welsh Housing Quality Standard (WHQS), to reduce carbon emissions and to build affordable housing in line with the More Homes Programme. These investment priorities have

been carefully balanced against consideration of affordability of rents and other service charges for tenants.

2. Projected Revenue Outturn 2023/24

- 2.1 Rent arrears have been closely monitored and are anticipated to increase by the end of the financial year due to the impacts of the cost of living crisis and energy bill increases. However, these increases have been budgeted for and the current level of Bad Debt Provision is anticipated to be sufficient.
- 2.2 Revenue repairs spend has been monitored and it is forecast that there will be a planned overspend of £1.9m for day to day repairs as a result of higher than anticipated building inflation and dealing with the backlog of repairs due to Covid. In addition, repairs to void properties is forecast to overspend by £2m as additional resources in the form of a new contractors has been sourced. Again this has been done in a planned way in an attempt to reduce the number of void properties and increase the numbers of properties available to let in response to high demand for housing. A further overspend of £760k is forecast for electrical repairs mainly due to the decreased period for electrical testing which was introduced in the Renting Homes legislation. The above overspends have been partly off set by forecast underspends on Gas Servicing, Repairs Prior to Painting and Grounds Maintenance.
- 2.3 The above anticipated overspends will be offset by a reduction in the Revenue Contribution to Capital (RCCO) transfer of £12.0m and a reduction in borrowing costs of £0.636m as a result of slippage in the Capital Programme together with an underspend on employee costs of £0.37m due to higher than anticipated vacancies.

3. Rent Income

- 3.1 The introduction of the Renting Homes (Wales) Act 2016 means that additional notice is required to be given to tenants for any increase in rents. As a result, the rent setting for 2024/25 has been subject to a separate report.
- 3.2 In January 2024 Council approved an average rent increase of 6.0%.rents. The report also proposed an increase in general fees, charges and allowances of 6.0% in line with the agreed rent increase.

4. Revenue Budget Proposals 2024/25

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 The main budget increases from 2023/24 are an increase in the Revenue Contribution to Capital (RCCO) of £3.73m. An increase in revenue repairs costs of £2.1m as a result of the inflationary pressures set out in 4.2 below. An increase in employee costs of £1.22m to fund a forecast increase for 24/25., other inflationary increases in Housing Management costs of £0.2m and an increase of £0.1m for the provision for bad debts.
- 4.1.3 The main budget savings are a reduction in the finance cost of borrowing of £694k as a result of lower than forecast borrowing due to slippage on the Capital Programme in 23/24.
- 4.1.4 The main changes to funding/income are an increase in rent income of £4.75m arising from the approved rent increase and £0.2m from increases in other charges including charges for furnished tenancies and some sheltered service charges. In addition, there is an increase in HRA investment income due to an increase in interest rates.
- 4.1.5 The main changes from the 2023/24 budget are shown in the following table:-

| Item | £000 |
|---|-------------|
| Increase in Revenue Contribution to Capital | 3,725 |
| Increase in Revenue Repairs | 2,055 |
| Increase in Employee Costs | 1,223 |
| Increase in Other Housing Mgt Costs | 209 |
| Increase in the Provision for Bad Debts | 100 |
| Increase in HRA Investment Income | -339 |
| Reduction Finance Costs | -694 |
| Increase in Transfer from Reserves | -1,328 |
| Additional income including 6.0% rent increase and increases in other charges | -4,951 |

- 4.1.6 Income is expected to exceed expenditure next year by £27.8m. This amount together with a contribution from reserves of £4.91m be used to contribute towards the capital programme of £55.1m in 2024/25 in order to maintain prudent levels of borrowing whilst meeting the investment priorities which are needed to maintain the WHQS and for the More Homes Programme.

4.2 *Inflation*

There continues to be significant inflationary pressures on the HRA budget for 2024/2025. The 2024/25 budget includes a 5% increase for pay increases. Revenue Repairs budgets have also been increased as a result of high building industry inflation and increased demand due to a back log of repairs due to Covid. In addition, void repairs budgets have been increased. Some other budgets, have also been amended to reflect a significant increase in prices.

4.3 *Capital Financing Charges*

Capital financing charges will reduce in 2024/25 as a result of the lower than forecast borrowing in previous years.

4.4 *Contributions to the Capital Programme*

The additional income enables a contribution of £33.6m to the capital programme.

5. Risks and Uncertainties

- 5.1 The main risks and uncertainties for next year are the ongoing impact of the economic crisis particularly regarding levels of rental income and rising costs due to inflation.

6. Reserves

- 6.1 As a result of lower than forecast RCCO due to slippage on the Capital Programme in 23/24, the HRA predicted reserves balance at the start of the year will be £13.931m. This is higher than the level of reserves which is considered to be absolutely necessary to be prudent and therefore £4.906mk of reserves will be used to finance capital expenditure in 2024/25. The reserves position is detailed in Table B.

7. Integrated Assessment Implications

- 7.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
 - 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.
 - Deliver better outcomes for those people who experience socio-economic disadvantage
 - Consider opportunities for people to use the Welsh language
 - Treat the Welsh language no less favourably than English.
 - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 7.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

7.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

7.4 An IIA screening form has been completed and reviewed. The agreed outcome was that a full IIA 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.

8. Legal Implications

8.1 There are no legal implications associated with this report.

Background Papers: None

Appendices:

Appendix 1 - Table A: Summarised HRA 2023/24 to 2024/25

- Table B: Movement in Balances 2023/24 to 2024/25

Appendix 2 – Integrated Impact Assessment Screening Form

Appendix 1

Table A: Summarised HRA 2023/24 to 2024/25

| Classification | Budget 2023/24 | Budget 2024/25 |
|-------------------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| <u>Expenditure</u> | | |
| Management and Maintenance | 40,907 | 44,493 |
| Capital Charges | 10,121 | 9,427 |
| Revenue Funding for capital schemes | 29,899 | 33,624 |
| Increase in Balances | 0 | 0 |
| Total Expenditure | 80,927 | 87,544 |
| <u>Income</u> | | |
| Rents and other income | 77,003 | 82,292 |
| Affordable Housing Grant | 346 | 346 |
| Contribution from in Balances | -3,578 | -4,906 |
| Total Income | 80,927 | 87,544 |
| | | |

Table B: Movement in Reserves 2023/24 to 2024/25

| Description | £000's |
|--|----------------|
| Actual balance at 1 st April 2023 | -10,408 |
| Budgeted reduction 23/24 | 3,578 |
| Budgeted balance 31st March 2024 | -6,830 |
| Forecast change 2023/24 | -3,523 |
| Forecast balance 31st March 2024 | -13,931 |
| Budgeted change 2024/25 | 4,906 |
| Forecast balance 31st March 2024 | -9,025 |

Integrated Impact Assessment Screening Form – Appendix 2

Please ensure that you refer to the Screening Form Guidance while completing this form.

Which service area and directorate are you from?

Service Area: Housing and Public Health

Directorate: Place

Q1 (a) What are you screening for relevance?

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services

(b) Please name and fully describe initiative here:

This report proposes a HRA Revenue Budget for 2024/25

Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)

| further | High Impact | | Medium Impact | | Low Impact | | Needs investigation |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------|--------------------------|
| | + | - | + | - | + | - | |
| Children/young people (0-18) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Older people (50+) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Any other age group | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Future Generations (yet to be born) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Disability | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Race (including refugees) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Asylum seekers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Gypsies & travellers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

| | | | | | | |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------|--------------------------|
| Religion or (non-)belief | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Sex | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Sexual Orientation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Gender reassignment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Welsh Language | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Poverty/social exclusion | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Carers (inc. young carers) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Community cohesion | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Marriage & civil partnership | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Pregnancy and maternity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches? Please provide details below – either of your activities or your reasons for not undertaking involvement

The setting of the revenue budget has to take account of the following issues and factors:-

- the requirement to maintain 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 Welsh Government rent policy;
- cost efficiencies and value for money

Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative:

- a) Overall does the initiative support our Corporate Plan’s Well-being Objectives when considered together?
Yes No
- b) Does the initiative consider maximising contribution to each of the seven national well-being goals?
Yes No
- c) Does the initiative apply each of the five ways of working?
Yes No
- d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?
Yes No

Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)

High risk

Medium risk

Low risk

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 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?

(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)

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.

Outcome of Screening

Q8 Please describe the outcome of your screening below:

- **Summary of impacts identified and mitigation needed (Q2)**
 - **Summary of involvement (Q3)**
 - **WFG considerations (Q4)**
 - **Any risks identified (Q5)**
 - **Cumulative impact (Q7)**

An IIA screening form has been completed and reviewed. The agreed outcome was that a full IIA 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.

(NB: This summary paragraph should be used in the relevant section of corporate report)

Full IIA to be completed

Do not complete IIA – please ensure you have provided the relevant information above to support this outcome

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.

| |
|--|
| Screening completed by: |
| Name: Paul Lilley |
| Job title: Housing Finance and IT Manager |
| Date: 30/01/24 |
| Approval by Head of Service: |
| Name: Carol Morgan |
| Position: Head of Housing and Public Health |
| Date: 30/01/24 |

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