



Report of the Section 151 Officer

Cabinet – 17 February 2022

Housing Revenue Account (HRA) Revenue Budget 2022/23

Purpose:	This report proposes a Revenue Budget for 22/23 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 recommended to Council for approval: 1) Rents to be increased in line with the 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:	Adrian Jeremiah
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 maintain the Welsh Housing Quality Standard (WHQS);
 - the funding requirements of the More Homes Programme;
 - future income and expenditure trends;
 - 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 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 2021/22

- 2.1 The economic impact of the Covid pandemic on rent collection rates is being closely monitored. During the first half of the year, collection rates have not been significantly affected. Revenue repairs expenditure has increased as a result of the back log of repairs from 2020/21 caused by the pandemic and an overspend of £1m in 21/22 is forecast. Spend in this area will continue to be closely monitored.
- 2.2 In addition, an increase in the number of disrepair insurance claims has led to a forecast overspend of £170k. This is offset by a forecast underspend on employees costs of £180k as a result of higher than expected vacancies. Covid has also had an ongoing impact on the delivery of the HRA Capital Programme and some slippage is forecast. This will mean a reduction in the amount of borrowing required to fund this year's Programme and a reduction in financing costs.

3. Rent Income

- 3.1 In December 2019 the Minister for Housing and Local Government set out the policy for the five year period from April 2020. The policy sets a maximum annual increase in rental income of Consumer Price Index plus 1%. Within the policy there is a clause which allows the Welsh Government to set a lower increase should CPI exceed 3%.
- 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 latest published Welsh Government data, Our current average weekly rent compares favourably with other Welsh social landlords ranking 29th 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 £130.78 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 October 2021 found that 64.8% of tenants were either very satisfied or satisfied that their rent provided value for money. 24.4% were neither satisfied or dissatisfied and 10.9% were either dissatisfied or very dissatisfied.
- 3.4 As CPI exceeded 3% in September 2021, the Welsh Government have decided that the maximum rent increase allowed for 2022/23 would be 3.1%. This would equate to an average increase of £3.09 per week and an average weekly rent of £102.72 (based on 50 weeks).

4. Revenue Budget Proposals 2022/23

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 2021/22 are an increase in revenue repairs costs of £1.32m as a result of the inflationary pressures set out in 4.2. An increase in the Revenue Contribution to Capital of £863k. An increase in Employee costs of £481k to fund forecast pay increases for 21/22 and 22/23 and an increase in employers NI contributions. Increases in Utility budgets of £257k as a result of a forecast significant increase in costs and an increase in Insurance costs of £200k largely as a result of an increase in the budget for Disrepair claims. In addition, a budget of £60k has been set aside towards the costs of implementing the new Renting Homes Regulations.
- 4.1.3 The main budget savings are a reduction in the provision for Bad Debts of £816k as a result of higher than forecast rent collection rates. In addition, Housing Management costs are regularly reviewed. A recent restructure of the senior management team within the Housing Service has seen the removal of 2 senior management posts and the recommendations of the Housing Commissioning Review have been implemented and 3 District Housing Offices have been closed. This has meant to a reduction in Housing Management costs of £156k.
- 4.1.4 The main changes to funding/income are an increase in rent income of £2.13m arising from the proposed rent increase and £32k from increases in other charges including charges for furnished tenancies and some sheltered service charges. In addition there is an additional £88k in grant funding for support services to sheltered tenants. There is a reduction of £25k in investment income due to lower balances and interest rates and £18k in commission income as a result of the ending of the Tenants Contents Insurance scheme.

4.1.5 The main changes from the 2021/22 budget are shown in the following table:-

Item	£000
Increase in Revenue Repairs	1,319
Increase in Revenue Contribution to Capital	863
Increase in employee costs	481
Increase in utilities and insurance costs	457
Addition of budget for Renting Homes	60
Increase in Finance Costs	45
Reduction in Transfer To Reserves	-46
Reduction in other Housing Management Costs	-156
Reduction in the Provision for Bad Debts	-816
Additional income including 3.1% rent increase and increases in other charges	-2,207

4.1.6 Income is expected to exceed expenditure next year by £28.3m. This amount will be used to contribute towards the capital programme of £58.1m in 2022/23 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 are significant inflationary pressures on the HRA budget for 2022/2023. No provision was included in the 2021/22 budget for a pay increase. It is now likely that an increase of 1.75% or above will be implemented. For 2022/23 a further budgeted increase of 3% has been included. In addition, the budget for employers National Insurance contributions has been increased. Revenue Repairs budgets have also been increased as a result of high building industry inflation particularly relating to the cost of materials. Other budgets, such as utility costs have also been amended to reflect a significant increase in prices.

4.3 *Capital Financing Charges*

Capital financing charges will increase in 2022/23 as a result of the additional borrowing required to fund the Capital Programme.

4.4 *Fees, Charges and Allowances*

General fees, charges and allowances are to be increased in line with the agreed rent increase of 3.1%.

4.5 *Contributions to the Capital Programme*

The additional income enables a contribution of £28.3m to the capital programme.

5. Risks and Uncertainties

- 5.1 The main risks and uncertainties for next year are the ongoing impact of the Covid pandemic and economic uncertainties particularly regarding levels of rental income and the rising costs due to inflation. The impact of the Renting Homes (Wales) Act 2016 is also unknown at this time.

6. Reserves

- 6.1 The HRA predicted balance at the start of the year will be £5.593m. 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 2022/23. 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. 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 2021/22 to 2022/23
 - Table B: Movement in Balances 2021/22 to 2022/23
- Appendix 2 – Integrated Impact Assessment Screening Form

Appendix 1

Table A: Summarised HRA 2021/22 to 2022/23

Classification	Budget 2021/22	Budget 2022/23
	£'000	£'000
<u>Expenditure</u>		
Management and Maintenance	32,059	33,404
Capital Charges	10,399	10,444
Revenue Funding for capital schemes	27,457	28,320
Increase in Balances	48	2
Total Expenditure	69,963	72,170
<u>Income</u>		
Rents and other income	69,617	71,824
Affordable Housing Grant	346	346
Total Income	69,963	72,170

Table B: Movement in Balances 2021/22 to 2022/23

Description	£000's
Actual balance at 1 st April 2021	-6,244
Budgeted increase 21/22	-48
Budgeted balance 31st March 2022	-6,292
Forecast change 2021/22	699
Forecast balance 31st March 2022	-5,593
Budgeted change 2022/23	-2
Forecast balance 31st March 2023	-5,595

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 Revenue Budget for 2022/23 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 29th out of 49.
- The current average rent is significantly lower than the average private sector. The average private sector rent in Swansea is £130.78 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 latest tenants survey carried out in October 2021 found that 64.8% of tenants were either very satisfied or satisfied that their rent provided value for money. 24.4% were neither satisfied or dissatisfied and 10.9% were either dissatisfied or very dissatisfied.

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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sex	<input type="checkbox"/>	<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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<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 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 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community cohesion	<input type="checkbox"/>	<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 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 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;
- 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 maintain 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.

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.)

A significant number of Housing tenants will not be impacted by the proposed rent increase as they 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.

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. Tenants will need to be notified of the proposed increase in accordance with the provisions of section 102 of the Housing Act 1985.

(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: 26/01/22
Approval by Head of Service:
Name: Mark Wade
Position: Head of Housing and Public Health
Date: 26/01/22

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