

Report To: Cabinet

Date of Meeting: 22nd January 2019

Lead Member / Officer: Councillor Julian Thompson-Hill / Jamie Groves Head of Facilities, Assets & Housing

Report Author: Geoff Davies, Lead Officer – Community Housing / Richard Weigh, Head of Finance

Title: Housing Rent Setting & Housing Revenue and Capital Budgets 2019/20

1. What is the report about?

To seek approval from Cabinet for the Denbighshire Housing annual rent increase, the Housing Revenue Account Capital and Revenue Budgets for 2019/20 and Housing Stock Business Plan.

2. What is the reason for making this report?

It is a statutory requirement to set budgets and rent levels before the start of the new financial year. The budget must be consistent with the assumptions within the Housing Stock Business Plan (HSBP) which has been designed to maintain Welsh Housing Quality Standard throughout the 30 year business plan.

3. What are the Recommendations?

That the Housing Revenue Account Budget for 2019/20 (Appendix 1) and the Housing Stock Business Plan (Appendix 2) be adopted.

That rents for Council dwellings be increased in accordance with the Welsh Government Policy for Social Housing Rents to an average weekly rent of £89.77 with effect from Monday 1st April 2019.

4. Report details.

The latest forecast outturn for the HRA for 2018/19 is detailed in Appendix 1, in line with the monthly monitoring report. Balances, at year end, are forecast to be £1,162m.

The proposed budget for 2019/20 is also detailed in Appendix 1. The budget has been calculated on the following basis:

- There have been 2 Right to Buy (RTB) Sales in 2018/19. Whilst the RTB no longer exists in Wales, these are pre-suspension applications that have completed and the Business Plan has been tested with the assumption of no sales in future and there is no detrimental effect on the plan.

- 3 former council homes have been purchased during the year.
- A programme of 170 additional homes has been incorporated within the HSBP, 160 of which are anticipated to be new build.

Welsh Government Rent Policy

Welsh Government developed a policy for social housing rents that will be applied consistently by all social landlords and reflect the type; size; location and quality of the Landlord's properties.

The current policy ended in 2018/19 and the increase for 2019/20 is a one year interim policy only. We expect an announcement from Welsh Government on future rent policy in April 2019 as part of the Affordable Housing Supply Review.

In December 2018 the Welsh Government confirmed the uplift for the next financial year only would be CPI only. This is 2.4%.

Comparative rent levels are detailed below along with the Council's target rent bands:

	2018/19	2019/20
Average Weekly rent (from the previous year)	£82.00	£87.81
Plus: Uplift (2.4%)	£3.69	£1.96
Adjusted Average Weekly rent	£85.69	£89.77
Plus: £2 uplift if below Target rent	£1.94	N/A
Average Weekly Rent	£87.63	£89.77

For information target rent levels are:

	Target Rent 2018/19	Target Rent 2019/20
Low End	£86.42	£88.06
Mid Point	£90.96	£92.70
High End	£95.51	£97.33

For this year, as our average weekly rent entered the target rent band we are now considered to be within target rent levels and we are unable to charge the additional £2.00 to support individual properties to achieve target rent.

Overall the 2.4% increase will leave 40% of our homes at target rent levels.

Housing Stock Business Plan (HSBP)

As part of the budget process it is necessary to review the Housing Stock Business Plan and this is achieved through a due diligence exercise on an annual basis to review the assumptions used and to validate the robustness of the financial model. In addition the review undertakes a sensitivity analysis.

The current Housing Stock Business Plan assumes a balance of £1m is maintained over the mid-term to mitigate against any future risks.

Maintaining the balance at a manageable level reduces the need to extend the current level of borrowing with the resultant savings in annual capital financing costs. This strategy also allows for further scope in future years of the Plan to extend the borrowing requirement if needed but at the same time ensuring the Authority remains within the HRA Limit on Indebtedness as set by the Welsh Government.

Service Charges

Service chargeable income collects actual costs for specific services and overall shows a slight increase over last year to £364k. Individual properties may be subject to a varied charge. The average charge per property is £2.00 per week.

Garages

Garages are not dealt with in this report as they are not subject to Welsh Government Rent Policy. The charges and use of garage sites will be reviewed by the Head of Facilities, Assets & Housing.

Heating Charges

At 3 schemes with a communal heating boiler, the council collects charges for fuel usage. We are anticipating an increase in fuel costs in 2019 / 2020 however there is sufficient surplus on the accounts to be able to avoid an increase in the weekly charge which will mitigate the impact of the increase on customers.

Welsh Housing Quality Standard

The Council achieved the Welsh Housing Quality Standard to all the Housing Stock in September 2014. Capital spend has been included in the HSBP which ensure sufficient resources are available to continue to maintain and exceed this standard over the 30 year plan. Denbighshire Housing is investing in our stock and our neighbourhoods going above WHQS where we think it is appropriate for the benefit of our customers and the longer term improvement of our housing stock.

The stock condition survey has identified repairs, maintenance and improvement costs for the next 30 years which have subsequently been built into the business plan and shall inform the developing asset management plan.

5. How does the decision contribute to the Corporate Priorities?

Housing is a Corporate Priority and the 5 year capital program will provide a boost to the local economy by maximising the local employment, training and supply chain opportunities for local people and businesses.

6. What will it cost and how will it affect other services?

The Housing Revenue Account is ring fenced and costs of implementation are covered by income through rents and service charges.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision

The Council appreciates that any increase in weekly rent could have an impact on some of our customers' ability to meet their weekly commitments.

The Income Collection service will continue to offer advice and support to all customers to ensure that customers can manage their finances effectively and maximise their income. Rent collection performance remains excellent and arrears are amongst the lowest in Wales.

8. What consultations have been carried out?

The Denbighshire Tenants and Residents Federation (DTARF) have been consulted and the reason for the rent increase and the impact on the HRA business plan has been fully explained to the group.

9. Chief Finance Officer Statement

A full review of the Housing Stock Business Plan (HSBP) has confirmed that the Plan remains robust and financially viable. There are sufficient resources to support the management and supervision of the housing service and the investment needs of the stock. Balances are at a prudent level while allowing the funding of new capital expenditure to be provided in the most cost effective way.

10. What risks are there and is there anything we can do to reduce them?

The risk is a failure to follow the Housing Stock Business Plan and to set budgets accordingly could lead to financial concerns and potential intervention by Welsh Government.

11. Power to make the Decision

Rent policy is determined by the Housing (Wales) Act 2014. The Housing Revenue Account is ring-fenced by statute.