

Report to	Cabinet
Date of meeting	21st January 2020
Lead Member / Officer	Councillor Julian Thompson-Hill / Liz Grieve Head of Communities & Customers
Report author	Geoff Davies, Lead Officer – Community Housing
Title	Housing Rent Setting & Housing Revenue and Capital Budgets 2020/21

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 2020/21 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 2020/21 (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 £92.35 with effect from Monday 6th April 2020.

4. Report details

The latest forecast outturn for the HRA for 2019/20 is detailed in Appendix 1, in line with the monthly monitoring report. Balances, at year end, are forecast to be £1,379m.

The proposed budget for 2020/21 is also detailed in Appendix 1. The budget has been calculated on the following basis:

- 7 former council homes and 3 private sector 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.

On 18th December 2019 the Welsh Government announced a five year rent policy. The policy agrees an annual rent uplift to CPI +1% from 2020/21 to 2024/25 using CPI from the previous September. For 2020/21 this is 2.7% (CPI at 1.7% +1%).

To enable landlords to restructure rents if required, up to an additional £2 per week up to "target rent", can be charged to individual homes, on condition that the total rent income collected increases by no more than CPI +1%. We are not proposing to add the additional £2 to any property. This means that:

- The overall total increase across all stock is 2.64%.
- 44% of properties are at target rent following the 2.7% uplift.
- Of 3,377 properties, 1,478 properties had an uplift less than 2.7% as they met target rent within the uplift.

As part of the new rent policy the council will be required to ensure that any rent increase considers affordability for tenants and also assessments of cost efficiencies. This requirement has just been announced so further work will be carried out on this during the forthcoming year. We are satisfied that affordability has been considered as our average weekly rent is in line with the Welsh Government target rent levels, which calculates rent levels using a number of factors including economic and housing market data.

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

Comparative Rent Levels	2019/20	2020/21
Average Weekly Rent (from previous year)	£87.81	£89.98
Plus Uplift (2.64%)	£1.96	£2.38
Plus £2 uplift if below Target Rent	N/A	N/A
Average Weekly Rent	£89.77	£92.35

For information target rent levels are:

Target Rent	2019/20	2020/21
Low End	£88.06	£90.32
Mid Point	£92.70	£95.07
High End	£97.33	£99.83

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 on-going 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 minimum balance of £1m is maintained over the mid-term to mitigate against any future risks.

The HSBP maintains borrowing to fund capital works such as the new build and improvement programmes. The level of borrowing is closely monitored as this is related to annual capital financing costs. All council's in Wales have reached agreement with Welsh Government to remove the borrowing cap from HRA's as per the Deed of Termination of HRA Subsidy Voluntary Agreement 20th March 2019. This repealed the previously agreed cap introduced by the Housing Act 2014 settlement payment.

Local Authorities in Wales are still required by Regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. Therefore any borrowing undertaken by LHAs following the abolition of the borrowing cap will continue to be "unsupported" and any increase is for Local Authorities to manage within their existing resources.

Welsh Government are currently working with councils in Wales with HRA's, to determine and agree appropriate debt levels.

Service Charges

Service chargeable income collects actual costs for specific services and overall shows a slight increase over last year to £398,960. Individual properties may be subject to a varied charge. The average charge per property is £2.27 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 Communities & Customers.

Heating Charges

At 3 schemes with a communal heating boiler, the council collects charges for fuel usage. We are maintaining the current weekly charge as we are forecasting that income will balance with expenditure on fuel costs.

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 ensures 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.

During 2020 we will carrying out further work to ensure our stock achieves potential new decarbonisation standards and it is likely further guidance will be received from Welsh Government about this later in 2020.

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 Well-being Impact Assessment?

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 Housing 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 with Scrutiny and others?

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.