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| <b>Report to</b>             | <b>Cabinet</b>  |
| <b>Date of meeting</b>       | <b>19<sup>th</sup> January 2021</b>   |
| <b>Lead Member / Officer</b> | <b>Councillor Julian Thompson-Hill / Liz Grieve Head of Communities &amp; Customers</b> |
| <b>Report author</b>         | <b>Geoff Davies, Lead Officer – Community Housing</b>                                   |
| <b>Title</b>                 | <b>Housing Rent Setting &amp; Housing Revenue and Capital Budgets 2021/22</b>           |

## **1. What is the report about?**

- 1.1. To seek approval from Cabinet for the Denbighshire Housing annual rent increase, the Housing Revenue Account Capital and Revenue Budgets for 2021/22 and Housing Stock Business Plan.

## **2. What is the reason for making this report?**

- 2.1. 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?**

- 3.1. That the Housing Revenue Account Budget for 2021/22 (Appendix 1) and the Housing Stock Business Plan (Appendix 2) be adopted.
- 3.2. That rents for Council dwellings be increased in accordance with the Welsh Government (WG) Policy for Social Housing Rents to an average weekly rent of £93.89 with effect from Monday 5th April 2021.
- 3.3. Cabinet are asked to note the additional report (appendix 3) on Cost Efficiencies, Affordability and Value for Money prior to approving this rent increase.

3.4. That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 4) as part of its consideration.

## **4. Report details**

4.1. The latest forecast outturn for the HRA for 2020/21 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 2021/22 is also detailed in Appendix 1. The budget has been calculated to ensure we can deliver our revenue services, the capital investment programme to maintain the quality standard of our homes and develop our new build programme.

We are anticipating significant additional costs in future years due to likely new decarbonisation standards for our existing stock. All social landlords in Wales are anticipating additional funding from WG to support any announcement on this.

In addition, we expect Local Authorities to be able to bid for Social Housing Grant (SHG) for new build programmes for the first time in 2021. Our current programme of 170 additional homes has been incorporated within the HSBP.

### **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.

In 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 2021/22 this is 1.5% (CPI at 0.5% +1%).

To enable landlords to restructure rents if required, up to an additional £2 per week 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 1.5%.
- The average weekly rent will be £93.89
- The average weekly rent increase will be £1.38

As part of the WG rent policy, the council will be required to ensure that any rent increase considers affordability for tenants, value for money and an assessment of cost efficiencies. Information on this is attached in appendix 3.

Whilst 2020 has been a difficult year for household finances and this will continue into 2021, we are satisfied that affordability of our weekly rents with the rent increase has been considered as we have to balance our ability to invest in our housing stock for the benefit of all our tenants, consider well managed growth through our new build and provide services to support our households effectively.

### **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 decrease over last year to £377,608. Individual properties may be subject to a varied charge. The average charge per property is £2.14 per week.

### **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.

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

- 5.1. 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?**

- 6.1. 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?**

7.1. 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?**

8.1. 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**

9.1. 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?**

10.1. 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**

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