

Report to	Cabinet
Date of meeting	13th December 2022
Lead Member / Officer	Councillor Rhys Thomas / Liz Grieve Head of Communities & Customers
Report author	Geoff Davies, Lead Officer – Community Housing
Title	Housing Rent Setting & Housing Revenue and Capital Budgets 2023/24

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 2023/24 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 2023/24 (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 by 5%, with effect from Monday 3rd April 2023.
- 3.3. Cabinet are asked to note the additional report (appendix 3) on Affordability, Cost Efficiencies and Value for Money prior to approving this rent increase.

3.4. That Cabinet 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 2022/23 is detailed in Appendix 1, in line with the monthly monitoring report. Balances, at year end, are forecast to be £2,157m. Note that the Council has seen cost increases of up to 30% for maintenance and capital programme costs this year.

The proposed budget for 2023/24 is also detailed in Appendix 1.

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.

Given the significant rise in UK inflation (CPI) to 10.1%, for 2023/24, the Minister has agreed to a maximum rent increase of **6.5%** in conjunction with some additional commitments being agreed with the housing sector. These include no evictions due to financial hardship and providing targeted support for households, these are matters which we can commit to.

The Minister's decision is a maximum and for Denbighshire we are proposing to increase our weekly rents by **5%**. Therefore, in summary –

- The overall total increase across all stock is 5%.
- The average weekly rent will be £102.31
- The average weekly rent increase will be £4.87

Tenant Support

Whilst 2022 has been a difficult year for household finances, and we know this will continue into 2023 and beyond, we are satisfied we can demonstrate affordability and value for money of our weekly rents.

72% of tenancies are in receipt of welfare benefit and housing costs support with any increase in rent being covered by this support.

We work hard to engage with tenants who are at risk of falling into arrears: we have invested in prevention and early intervention work, focussing on a supportive rather than disciplinary approach. Referring to Citizens Advice Denbighshire and Working Denbighshire for targeted support has been particularly effective (please see Appendix 3).

Capital and New Build Programme

A 5% increase in weekly rents does not keep pace with CPI inflation and the levels of cost inflation we are experiencing which will challenge our ability to continue to invest in our housing stock. However, there is balance to be achieved to support households whilst ensuring we can continue to invest in our existing homes, consider carefully managed growth through our new build programme and provide quality 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 £750k 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.

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.

Each 1% increase in rents gives £170k revenue income year on year. That provides enough budget to borrow a further £3.5m over the period of the Business Plan. The recommendation to apply a 5% increase and not 6.5% will cost the HRA around £250k for every year of the Business Plan. Furthermore,

officers also modelled a 3% rent increase, however this would mean HRA reserves fall below our agreed minimum of £750k within 2 years and would further reduce the borrowing that is affordable to fund the capital programme. This would mean that the Council's capital programme would be severely curtailed. Fewer Council homes would be built and fewer Council homes would be upgraded to improve energy efficiency.

Service Charges

Service chargeable income collects actual costs for specific services and overall shows a slight increase over last year to £401k. Individual properties may be subject to a varied charge. As a result, the average charge per property has increased to £2.33 per week (from £2.23 last year).

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 this standard over the 30-year plan. However, we are anticipating a significant increase in required standards as we aim for Net Zero. No budget has been allocated for this yet and longer term funding levels remain unknown.

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 links to the 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.

Housing 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 below average 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 is under significant financial pressures due to rising inflation, increased regulation around housing quality standards and housing need. The current plan for 23/24 allows us to keep our houses in a decent state of repair and continue to invest in new build schemes that we are already committed to. Any reduction in the proposed increase in rent would see reductions in the capital plan which would risk seeing our housing stock fall behind quality standards. Obviously from a financial point of view a further increase would mean that further investment in Welsh Housing Quality Standards could be made quicker and further new build projects could be considered, however we are aware of the cost of living pressures effecting all our residents. Balances, though budgeted to reduce, are still 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.