

The Vale of Glamorgan Council

Cabinet Meeting: 22 February, 2016

Report of the Leader

Final Housing Revenue Account (HRA) Budget Proposals 2016/17

Purpose of the Report

- To set the HRA budget for the financial year 2016/17 and to set the rents and service charges for the forthcoming rent year beginning on 4th April 2016.

Recommendations

It is recommended that:-

- The final HRA budget proposals for 2016/17 are recommended to Council as outlined below:-

| | Proposed Budget 2016/17 |
|---|------------------------------------|
| | £'000 |
| Expenditure | |
| Supervision & Management | 5,140 |
| Repairs and Maintenance | 3,858 |
| Capital Financing Costs | 5,306 |
| Rent, Rates & Taxes & Other Charges | 318 |
| Increase in Bad Debt Provision | 1,093 |
| Capital Expenditure from Revenue Account (CERA) | 2,931 |
| | 18,646 |
| Income | |
| Dwelling Rents | (17,759) |
| Non Dwelling Rents | (319) |
| Interest | (5) |
| Charges for Services and Facilities | (585) |
| | (18,668) |

(Surplus)/Deficit for the Year (22)

Working Balance Brought Forward (611)

Working Balance Carried Forward (633)

2. A rent increase of 1.4% plus a maximum of £2.00 be approved and recommended to Council, as set out in paragraphs 16-19
3. The increase suggested for other services are approved and recommended to Council, as set out in paragraphs 20-32.
4. The following charges for 2016/17 financial year be recommended to Council:-

| 50 Week Basis | Current Charges | Proposed Charges |
|----------------------------|------------------------|--|
| Heating | £8.51 per week | £7.97 per week |
| Warden Support Charge | £5.63 per week | £5.63 per week |
| Warden Management Charge | £2.81 per week | £4.94 per week |
| VCAS: | | |
| - Piper | £4.34 per week | £4.34 per week |
| - Communicall | £4.92 per week | £4.92 per week |
| Grounds Maintenance | £1.27 per week | £1.32 per week |
| Cleaning of communal areas | £1.80 per week | £1.89 per week |
| Lighting of communal areas | £1.16 per week | £0.96 per week |
| Laundry Facilities | £0.27 per week | £0.29 per week |
| Window Cleaning | £0.29 per week | £0.33 per week |
| Lift Maintenance | £1.44 per week | £0.83 per week |
| Door Entry | £1.31 per week | £1.18 per week |
| Intercom | £1.06 per week | £0.98 per week |
| CCTV | | £0.88 per week |
| Sewerage Treatment Plants | £318.45 per annum | Based on the Rateable Value (RV) from the Welsh Water Schedule 2016/17 |

| | | |
|-----------|-------|--|
| Cesspools | £0.00 | Based on the Rateable Value (RV) from the Welsh Water Schedule 2016/17 |
|-----------|-------|--|

5. All changes to rents and service charges are implemented from 4th April 2016 and that increase notices are sent to tenants 28 days in advance of the new charges coming into effect.

Reasons for the Recommendations

1. As required by statute.
2. In order that new rent levels are set within the specified Welsh Government (WG) guidelines.
3. In order that the budget accurately reflects any changes necessary.
4. In order that new charges are approved in time for any administration changes to be carried out.
5. In order to meet the deadline to notify tenants of the new charges as required by Statute.

Background

2. Each local housing authority is required under Section 74, of the 1989 Local Government and Housing Act to keep a Housing Revenue Account. Section 76 of the Act requires local authorities to set a budget for their Housing Revenue Account (HRA) on an annual basis. The budget must be such that the Housing Revenue Account is not in deficit at the year end.
3. During the course of the year, local authorities must review their HRA expenditure and income and if, on the basis of the information available the account is heading for a deficit, they must take steps as are reasonably practical to prevent this deficit. A local authority is not prohibited from being in deficit but will need to demonstrate that the deficit has arisen through exceptional circumstances and that it has revised its original proposals so far as reasonably practical to avoid the deficit. Such a deficit shall be carried forward and must be made good the following year.
4. Each local authority should endeavour to have a working balance on the HRA, for any exceptional circumstances that may arise.
5. The basis of rent increase is set by the WG Policy for Social Housing Rents. The policy sets a target rent band for each authority. In order to comply with the rent policy, social landlords must ensure their average weekly rent for their general needs and sheltered housing is within their target rent bands. Landlords must also ensure a tenant's rent is not increased by more than (CPI +1.5%) plus £2 per week.
6. The 2016/17 rent bands for each local authority were issued on 16th December 2015, the agreed increase is CPI (as at September 2015 (-0.1%)) plus 1.5% +£2.00, i.e. 1.4%+£2.00 as laid out in the new rent policy.
7. The initial HRA budget proposals were considered by Cabinet on the 16th November 2015 (minute no. C2975). They were subsequently referred to the Housing and Public Protection Scrutiny Committee on 2nd December 2015, who noted the proposals as did Corporate Resources Scrutiny Committee on 8th December 2015.

Base Budget 2016/17

8. The Budget Strategy for 2016/17 outlined that, in order to establish a baseline, services should prepare revenue budgets for next year based on the cost of providing the current level of service and approved policy decisions. This means that the cost of price increases and pay awards should be included.
9. Due to the nature of the HRA in that it is ring fenced and any growth has to be funded from the balance, no cost pressures have been formally identified.
10. The proposed 2016/17 budget is set out at [Appendix 1](#) and is identified over the following areas.
 - Supervision & Management (General) - This budget head relates to the general management of the Council's housing stock, for work carried out within the Housing service, and for various issues relating to the Council tenancies excluding the repairs and maintenance function.
 - Supervision & Management (Special) - This budget relates to the running expenses and the cost of staff employed directly within the Housing service, in relation to functions such as sheltered housing schemes, running the hostel and temporary accommodation.
 - Housing Repairs - This budget relates to the revenue repairs and maintenance service for the Council Housing Stock.
 - Capital Financing - Costs associated with financing debt.
 - Rents, Rates, Taxes and Other Charges - This budget head relates to items such as expenditure on Council Tax at long void properties, legal expenses, surveying costs, compensation and Insurance.
 - Increase in Provision for Bad Debts - This budget identifies the amount by which the current level of provision should be increased by in year.
 - Capital Expenditure from Revenue Account (CERA) - This budget relates to a contribution made from the Housing Revenue Account to fund capital expenditure.
 - Dwelling Rents - This is the net rent due to the Council for all properties whether General Needs, OAP designated, Sheltered Complexes, Hostel or Temporary Accommodation.
 - Non Dwelling Rents - This represents rental income due to the Council for HRA owned garages.
 - Interest - This budget relates to Interest receivable on the average HRA Reserve Balance.
 - Charges for Services and Facilities - This budget identifies amounts due to the Council by tenants and leaseholders and some private individuals for services and facilities provided by the HRA.
11. In summary the change in the budget is itemised as follows:-

| 2015/16 Original Budget | Inflation / Pay Award | National Insurance Change | Committed Growth / (Savings) | Rent Increase | Increase/ (Decrease) in CERA | 2016/17 Proposed Budget |
|-------------------------------|--------------------------|---------------------------------|------------------------------------|------------------|------------------------------------|-------------------------------|
| £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| (129) | 131 | 34 | 1,051 | (552) | (557) | (22) |

12. Inflation includes an allowance of 1% pay awards in 2016/17. 1% increase in pay amounts to approximately £18,000.
13. The impact of the changes to Employer National Insurance Contributions for Housing staff has been identified as £34,000.
14. A decrease in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £557,000 has been assumed. The amount of revenue contribution required is dictated by available revenue balances and the value of the Housing Improvement Programme. Adjusting the level of CERA by this amount will leave a minimum HRA Reserve of £633,000, which is in line with the latest Housing Business Plan.
15. The net growth of £1,051,000 is due to a number of factors;
 - An increase in capital financing charges of £660,000 in relation to unsupported borrowing being taken out in 2016/17 to fund the Housing Improvement Programme, and adjustments required following the HRAS buy-out.
 - An adjustment to the net rental due from dwellings of £260,000 to account for properties no longer accounted for in the HRA.
 - An increase in staff costs for increments and staff changes of £40,000
 - An increase of £60,000 in central recharges.
 - A contribution of £22,000 to support the Safer Vale team for activities which benefit Council tenants and leaseholders.
 - An increase of £74,000 on the bad debt provision, to reflect the assumption that 6% of net rental income will need to be provided for, to mitigate the potential increase in arrears following the introduction of Universal Credit during 2016/17.
 - These have been offset by minor favourable adjustments totalling £65,000.

Proposed Increases in Rents

16. The rent policy sets a target rent band for each landlord and landlords are required to operate with average weekly rent levels that fall within the scope of those bands. The target rent band provides a low end figure, a mid-point and a high end figure for each landlord. The average weekly rent level for each social landlord is compared to the target rent band. In addition, the maximum amount a social landlord can increase an individual tenant's weekly rent is CPI +1.5% plus £2 (i.e. 1.4% plus £2). If the Vale of Glamorgan applies a 1.4% plus a maximum of £2.00 per week rent increase to Council House Rents then the average weekly rent would fall within the target rent band. The additional increase would be applied across the stock based on the local rent policy currently in place.

17. It is usual practice that the Vale of Glamorgan only increase rent by an amount specified via Department for Work and Pensions (DWP) to prevent a breach of the Housing Benefit Rent Rebate Limitations. Breach of the limitation would mean that the HRA would be liable for a proportion of the additional increase. At this stage however, details regarding the DWP limit under the new rent policy is unknown.
18. It is proposed that rents are increased within the limit of 1.4% plus the maximum of £2 and have been set in line with our existing rent policy, which takes into account the number of bedrooms, type and size of property along with location, whilst still ensuring that the current Housing Business Plan commitments in terms of new build and regeneration are achieved. The rent increase per property type is detailed below:-

| Type | Present Target Rent for 2015/16 (Based on 50 Chargeable Weeks) | Proposed Average Rent Incr (+)/ Decr (-) (Based on 50 Chargeable Weeks) | Proposed Average Target Rent for 2016/17 (Based on 50 Chargeable Weeks) |
|--------------|---|--|--|
| Bungalow | £88.41 per week | +£3.00 per week | £91.41 per week |
| Flat | £77.20 per week | +£2.64 per week | £79.84 per week |
| House | £96.19 per week | +£3.28 per week | £99.47 per week |
| Maisonette | £84.37 per week | +£2.87 per week | £87.24 per week |
| TOTAL | £88.21 per week | +£3.00 per week | £91.21 per week |

Proposed Increases in Other Charges

19. Garage Rents - The rent of freestanding garages is currently £7.08 per week. It is proposed that rent for all garages are increased by 3.4% to £7.32 per week. This percentage increase is broadly in line with the rent increase.
20. Ty lolo Hostel - The current charge for persons accommodated is £159.27 per week. It is proposed that the weekly rent charge is increased by 1.4%+£2.00 to £163.50 per week. As rooms at the hostel are classified as HRA dwellings, the rents charged are also subject to Housing Benefit Rent Rebate Limitations, which means that hostel rents should be in line with recommended rent increase.
21. 28 Evans Street, Barry - This property, owned by the Council, is let to Llamau Housing Trust and comprises of six units of accommodation. The current weekly charge is £530.96. It is proposed that the charge be increased by a maximum of 1.4%+£2.00, in line with the recommended increase for the Hostel. The weekly charge will therefore be £540.39 per week.
22. Temporary Accommodation - The average current weekly charge including additional management, utility and service charge costs is £157.55. It is proposed that the rent element be increased by a maximum of 1.4%+£2.00, in line with the WG recommended guideline increase. The total charge will therefore be £161.76.

23. Sheltered Housing Guest Suites - It is proposed that the charges for guest room facilities are increased by 3.4% to £12.27 per person per night for double occupancy and £17.54 for single occupancy.
24. Vale Community Alarm Service (VCAS) - This is a charge which forms part of the inclusive rent, but is separately identifiable. No increase is proposed on VCAS charges and a review of the charging structure currently in place will be undertaken in during 2016/17.
25. The charges in the following paragraphs are based on the agreed Service Charge Policy which states that charges would be based on the best estimated cost of providing the service in the forthcoming year, using prior year's information and any known contract costs:-
26. Heating - The cost of providing heating to sheltered properties has decreased. It is proposed that the charge be decreased from £8.51 per week to £7.97 per week based on the actual costs incurred in the 12 months prior to the budgeting period.
27. Warden Management & Support Charge - The proposed charge for the Warden Management element is £4.94 per week, and the proposed charge for the Warden Support element is £5.63 per week.
28. Lift Maintenance - The cost of lift maintenance has reduced, this is due to a decrease in the number of emergency call-outs. It is proposed that the charge be decreased from £1.44 per week to £0.83 per week based on the actual costs incurred in the 12 months prior to the budgeting period.
29. Door Entry & Intercom - The cost of providing maintenance on the door entry systems has decreased. It is proposed that the charge be decreased from £1.31 per week to £1.18 per week based on the actual costs incurred in the 12 months prior to the budgeting period. Similarly the cost of providing the Intercom systems has decreased from £1.06 per week to £0.98 per week.
30. Sewerage Treatment Plants - The charge to owners of all purchased and private dwellings connected to Council owned and maintained treatment plants is currently £318.45 per annum, based on the average charge payable if the properties were connected to the main sewerage system. It is proposed that these dwellings continue to be charged at a similar sewerage rates to the Water Schedule 2016/17 issued by Dwr Cymru Welsh Water. The Welsh Water Schedule was not available at the time of writing.
31. Cesspool emptying - Cabinet resolved on 21st September 2015 (minute number C2917), to begin charging for cesspool emptying for council owned cesspools at various sites in the Vale of Glamorgan. For those cesspools serving Council House tenants, it was agreed that the tenants would pay a subsidised rate, with the difference being met from the HRA. The charge to tenants will be based on an equivalent rate to those properties connected to the main sewerage system. It is proposed therefore that these dwellings be charged a rate equivalent to the Water Schedule 2016/17 issued by Dwr Cymru Welsh Water. Whilst the schedule was not available at the time of writing, the 2015/16 equivalent rates were in the region of £6.15 per week.

Next Steps

32. Cabinet's final budget proposals will be considered by Council at a meeting to be held on 2nd March 2016.

Resource Implications (Financial and Employment)

33. The Housing Revenue Account projected working balance at 1st April 2016 is £611,000 and is projected at £633,000 on 1st April 2017.

Legal Implications (to Include Human Rights Implications)

34. The Council under the 1989 local Government and Housing Act have a legal obligation to set a budget for the Housing Revenue Account. Notices of any increases have to be sent to tenants 28 days in advance of the new changes coming into effect.

Crime and Disorder Implications

35. Many HRA activities have a positive impact on the reduction of crime and the fear of crime.

Equal Opportunities Implications (to include Welsh Language issues)

36. Housing Services are carried out in accordance with the Council's Equal Opportunities policies and practices.

Corporate/Service Objectives

37. Housing Services support the following Corporate/Service objectives:-
- Social Well Being and Tackling Disadvantage
 - Ensuring that all Vale residents have access to good quality, affordable and appropriate accommodation that is sufficient for their needs.
 - Environmental Improvement
 - Maintaining and improving the quality of the public housing stock
 - Community Leadership
 - Encouraging tenants and residents to participate in the management of housing stock.

Policy Framework and Budget

38. This report is following the procedure laid down in the Constitution for the making of the budget. It is a matter of endorsement by the Cabinet and approval by the Council.

Consultation (including Ward Member Consultation)

39. The Corporate Management Team has been consulted on this report. The initial budget proposals do not require Ward Member consultation.

Relevant Scrutiny Committee

40. Housing and Public Protection is the relevant Scrutiny Committee.

Background Papers

Housing Business Plan - December 2014
Welsh Government's Policy for Social Housing Rents

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