

The Vale of Glamorgan Council

Cabinet Meeting: 20th February 2017

Report of the Leader

Final Housing Revenue Account (HRA) Budget Proposals 2017/18

Purpose of the Report

1. To set the HRA budget for the financial year 2017/18 and to set the rents and service charges for the forthcoming rent year beginning on 3rd April 2017.

Recommendations

It is recommended that:-

1. The final HRA budget proposals for 2017/18 are recommended to Council as outlined below:-

	Proposed Budget 2017/18
	£'000
Expenditure	
Supervision & Management	4,967
Repairs and Maintenance	4,043
Capital Financing Costs	5,278
Rent, Rates & Taxes & Other Charges	227
Increase in Bad Debt Provision	1,104
Capital Expenditure from Revenue Account (CERA)	3,539
	19,158
Income	
Dwelling Rents	(18,487)
Non Dwelling Rents	(187)
Interest	(4)
Charges for Services and Facilities	(611)
	(19,289)

(Surplus)/Deficit for the Year (131)

Working Balance Brought Forward (700)

Working Balance Carried Forward (831)

2. A rent increase of 2.5% plus up to a maximum of £2.00 be approved and recommended to Council, as set out in paragraphs 16-18.
3. The increase suggested for other services are approved and recommended to Council, as set out in paragraphs 19-31.
4. The following charges for 2017/18 financial year be recommended to Council:-

50 Week Basis	Current Charges	Proposed Charges
Heating	£7.97 per week	£6.41 per week
Warden Support Charge	£5.63 per week	£5.63 per week
Warden Management Charge	£4.94 per week	£4.06 per week
VCAS:		
- Piper	£4.34 per week	£4.34 per week
- Communicall	£4.92 per week	£4.92 per week
Grounds Maintenance	£1.32 per week	£1.33 per week
Cleaning of communal areas	£1.89 per week	£2.02 per week
Lighting of communal areas	£0.96 per week	£0.87 per week
Laundry Facilities	£0.29 per week	£0.38 per week
Window Cleaning	£0.33 per week	£0.32 per week
Lift Maintenance	£0.83 per week	£0.92 per week
Door Entry	£1.18 per week	£0.75 per week
Intercom	£0.98 per week	£0.73 per week
CCTV	£0.88 per week	£0.84 per week
Sewerage Treatment Plants	£318.45 per annum	Based on the Rateable Value (RV) from the Welsh Water Schedule 2017/18

Cesspool Emptying

£6.23 per week

Based on the Rateable Value (RV) from the Welsh Water Schedule 2017/18

5. All changes to rents and service charges are implemented from 3rd April 2017 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 charges are approved for the coming year.
4. In order that charges are approved for the coming year.
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 that 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 £2.00 per week.
6. The 2017/18 rent bands for each local authority were issued by WG on 20th December 2016 and the agreed increase is CPI (as at September 2016) 1% plus 1.5% + £2.00, i.e. 2.5% + £2.00 as laid out in the new rent policy.
7. The initial HRA budget proposals were considered by Cabinet on the 14th November 2016 (minute no. C3364). They were subsequently referred to the Homes and Safe Communities Scrutiny Committee on 7th December 2016, who noted the proposals

as did Corporate Performance and Resources Scrutiny Committee on 13th December 2016.

Base Budget 2017/18

8. The Budget Strategy for 2017/18 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. It is anticipated that the 2017/18 draft 30-year Housing Business Plan will be reported to Cabinet during March 2017, once the latest guidance has been received from Welsh Government. The Plan will also require Council approval.
11. The proposed 2017/18 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.
 - Repairs and Maintenance - This budget relates to the revenue repairs and maintenance service for the Council Housing Stock.
 - Capital Financing Costs - 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 the net 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.

12. In summary the change in the budget is itemised as follows:-

2016/17 Original Budget	Inflation / Pay Award	Committed Growth / (Savings)	Rent Increase	Increase/ (Decrease) in CERA	2017/18 Proposed Budget
£000	£000	£000	£000	£000	£000
(22)	136	(232)	(621)	608	(131)

13. Inflation includes an allowance of 1% pay awards in 2017/18. 1% increase in pay amounts to approximately £26k.

14. The net saving of £232k is due to a number of factors;

- A decrease in Capital Financing charges of £28k in relation to unsupported borrowing being taken out in 2017/18 to fund the Housing Improvement Programme.
- An increase in staff costs for increments and staff changes of £79k.
- A reduction of £290k in central recharges.
- A reduction in the cost for Council Tax at void properties of £67k.
- An increase in the revenue repairs costs of £185k.
- Various other minor savings of £111k.

15. An increase in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £608k 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 £831k as at 31st March 2018, which is in line with the draft Housing Business Plan. The minimum level of the HRA Reserve has been re-assessed from the £600k included in the previous plan. The revised level is equivalent to approximately 5% of revenue and capital expenditure, excluding any new build development costs. 5% is a generally accepted percentage used for assessing levels of reserves to be held.

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 £2.00 (i.e. 2.5% plus £2.00). If the Vale of Glamorgan applies a 2.5% 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. The current rent for the Vale of Glamorgan is within the draft limit issued by Welsh Government.

18. It is proposed that rents are increased within the limit of 2.5% plus the maximum of £2.00 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 draft Housing Business Plan commitments are achieved. The rent increase per property type is detailed below:-

Type	Present Target Rent for 2016/17 (Based on 50 Chargeable Weeks)	Proposed Average Rent Incr (+)/ Decr (-) (Based on 50 Chargeable Weeks)	Proposed Average Target Rent for 2017/18 (Based on 50 Chargeable Weeks)
Bungalow	£91.41 per week	+£3.20 per week	£94.61 per week
Flat	£79.84 per week	+£2.79 per week	£82.63 per week
House	£99.47 per week	+£3.47 per week	£102.94 per week
Maisonette	£87.24 per week	+£3.05 per week	£90.29 per week
TOTAL	£91.21 per week	+£3.19 per week	£94.40 per week

Proposed Increases in Other Charges

19. Garage Rents - The rent of freestanding garages is currently £7.32 per week. It is proposed that rent for all garages are increased by 3.5% to £7.58 per week. This percentage increase is broadly in line with the rent increase.
20. Ty lolo Hostel - The current charge for persons accommodated is £163.50 per week. It is proposed that the weekly rent charge is increased by a maximum of 2.5% + £2.00 to £169.59 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 the WG 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 £540.39. It is proposed that the charge be increased by a maximum of 2.5% + £2.00, in line with the recommended increase for the Hostel. The weekly charge will therefore be £555.90 per week.
22. Temporary Accommodation - The average current weekly charge including additional management, utility and service charge costs is £161.76. It is proposed that the rent element be increased by a maximum of 2.5% + £2.00 in line with the WG recommended guideline increase. The total charge will therefore be £167.80 per week.

23. Sheltered Housing Guest Suites - It is proposed that the charges for guest room facilities are increased by 3.5% to £12.70 per person per night for double occupancy and £18.15 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 during 2017/18.
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 £7.97 per week to £6.41 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 £4.06 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 increased, due to an increase in the number of emergency call-outs. It is proposed that the charge be increased from £0.83 per week to £0.92 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 £1.18 per week to £0.75 per week based on the actual costs incurred in the 12 months prior to the budgeting period. The cost of providing the Intercom systems has also decreased from £0.98 per week to £0.73 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 2017/18 issued by Dwr Cymru Welsh Water. The Welsh Water Schedule was not available at the time of writing.
31. Cesspool Emptying - The current charge of £6.23 per week is based on an equivalent rate to those properties connected to the main sewerage system. It is proposed therefore that these dwellings continue to be charged a rate equivalent to the Water Schedule 2017/18 issued by Dwr Cymru Welsh Water. Whilst the schedule was not available at the time of writing, the 2017/18 equivalent charge could be in the region of £6.35 per week.

Next Steps

32. Cabinet's final budget proposals will be considered by Council at a meeting to be held on 1st March 2017.

Resource Implications (Financial and Employment)

33. The Housing Revenue Account projected working balance at 1st April 2017 is £700k and is projected at £831k on 1st April 2018.

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. This report is consistent with the Corporate Objective of an Inclusive and Safe Vale and well-being Objective 2: Provide decent homes and safe communities.

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 budget proposals do not require Ward Member consultation.

Relevant Scrutiny Committee

40. Homes and Safe Communities.

Background Papers

Housing Business Plan – February 2016
Welsh Government's Policy for Social Housing Rents

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