

The Vale of Glamorgan Council

Cabinet Meeting: 19th February 2018

Report of the Leader

Final Housing Revenue Account (HRA) Budget Proposals 2018/19

Purpose of the Report

1. To set the HRA budget for the financial year 2018/19 and to set the rents and service charges for the forthcoming rent year beginning on 2nd April 2018.

Recommendations

It is recommended that:-

1. The final HRA budget proposals for 2018/19 are recommended to Council as outlined below:-

	Proposed Budget 2018/19 £'000
Expenditure	
Supervision & Management	4,855
Repairs & Maintenance	4,043
Capital Financing Costs	4,977
Rent, Rates & Taxes & Other Charges	211
Increase in Bad Debt Provision	1,159
Capital Expenditure from Revenue Account (CERA)	4,585
Income	
Dwelling Rents	(18,767)
Non Dwelling Rents	(170)
Interest	(3)
Charges for Services and Facilities	(537)
Contribution towards expenditure	(291)
Grant Income	(83)

(Surplus)/Deficit for the Year **(21)**

Working Balance Brought Forward **(831)**

Working Balance Carried Forward **(852)**

2. A rent increase of 3% (CPI) be approved and recommended to Council, as set out in paragraphs 15-17.
3. The increase suggested for other services are approved and recommended to Council, as set out in paragraphs 18-31.
4. The following charges for 2018/19 financial year be recommended to Council:-

50 Week Basis	Current Charges	Proposed Charges
Heating	£6.41 per week	£5.74 per week
Warden Support Charge	£5.63 per week	£0.00 per week
Warden Management Charge	£4.06 per week	£0.00 per week
Warden Housing Management Charge (above two charges combined into new charge)	£0.00	£9.97 per week
VCAS:		
- Piper	£4.34 per week	£4.34 per week
- Communicall	£4.92 per week	£4.92 per week
Grounds Maintenance	£1.33 per week	£1.35 per week
Cleaning of communal areas	£2.02 per week	£2.31 per week
Lighting of communal areas	£0.87 per week	£0.94 per week
Laundry Facilities	£0.38 per week	£0.26 per week
Window Cleaning	£0.32 per week	£0.17 per week
Lift Maintenance	£0.92 per week	£0.48 per week
Door Entry	£0.75 per week	£0.73 per week
Intercom	£0.73 per week	£0.71 per week
CCTV	£0.84 per week	£0.90 per week

Sewerage Treatment Plants	£329.22 per annum	Based on the Rateable Value (RV) from the Welsh Water Schedule 2018/19
Cesspool Emptying	£317.50 per annum	Based on the Rateable Value (RV) from the Welsh Water Schedule 2018/19

5. All changes to rents and service charges are implemented from 2nd April 2018 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 for rent increases 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 2018/19 Policy for Social Housing Rents was issued by WG on 11th December 2017 which includes the 2018/19 rent bands and the maximum allowable uplift which

has been outlined as CPI (as at September 2017) 3% plus 1.5% + £2.00, i.e. 4.5% + £2.00.

7. The initial HRA budget proposals were considered by Cabinet on the 20th November 2017 (minute no. C141). They were subsequently referred to the Homes and Safe Communities Scrutiny Committee on 6th December 2017, who noted the proposals as did Corporate Performance and Resources Scrutiny Committee on 14th December 2017.

Base Budget 2018/19

8. The Budget Strategy for 2018/19 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 2018/19 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 & 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.
- Contribution towards expenditure – This budget identifies any contributions received from outside bodies or persons towards expenditure which has been incurred by the HRA.
- Grant Income – This budget relates to revenue grant income received. From 2018/19 onwards the HRA will receive the Housing Finance Grant 2 (HFG2) from Welsh Government which supports new Council house building. The Council will take out a loan to fund capital expenditure and the HFG2 will be paid as an annual grant over a 30 year period and will be used to finance the interest and capital repayments of the debt.

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

2017/18 Original Budget	Inflation / Pay Award	Committed Growth / (Savings)	Rent / Income Increase	Increase / (Decrease) in CERA	2018/19 Proposed Budget
£000	£000	£000	£000	£000	£000
(131)	79	(453)	(562)	1,046	(21)

12. Inflation includes an allowance of 2% pay awards in 2018/19 which amounts to approximately £53k.

13. The net saving of £453k is due to a number of factors;

- A decrease in Capital Financing charges of £301k in relation to unsupported borrowing being taken out in 2018/19 to fund the Housing Improvement Programme.
- A decrease in staff costs for vacant posts and staff changes of £65k.
- An increase of £43k in central recharges.
- A reduction in income of £76k, £60k of which is due to the cessation of Supporting People funding from October 17. The balance of which is due to reduced service charge income from tenants.
- A reduction in Premises costs of £123k.
- A reduction in Supplies & Services of £83k.

14. An increase in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £1,046k 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 £852k as at 31st March 2019, which is broadly in line with the Housing Business Plan.

Proposed Increases in Rents

15. The Welsh Government 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 for 2018/19. 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. 4.5% plus £2.00).
16. It is usual practice that the Vale of Glamorgan Council only increases rent by an amount which will not breach the Housing Benefit Rent Rebate Limitation set by the Department of Work and Pensions (DWP). Breach of the limitation would mean that the HRA would be liable for a proportion of the additional increase. The draft limit, issued by Welsh Government, was not available at the time of writing.
17. It is proposed that rents are increased by 3% (the CPI element only) which is within the limit of 4.5% 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 Housing Business Plan commitments are achieved. The rent increase per property type is detailed below:-

Type	Present Target Rent for 2017/18 (Based on 50 Chargeable Weeks)	Proposed Average Rent Incr (+) / Decr (-) (Based on 50 Chargeable Weeks)	Proposed Average Target Rent for 2018/19 (Based on 50 Chargeable Weeks)
Bungalow	£94.61 per week	+£2.84 per week	£97.45 per week
Flat	£82.63 per week	+£2.48 per week	£85.11 per week
House	£102.94 per week	+£3.10 per week	£106.04 per week
Maisonette	£90.29 per week	+£2.71 per week	£93.00 per week
TOTAL	£94.40 per week	+£2.83 per week	£97.23 per week

Proposed Increases in Other Charges

18. Garage Rents - The rent of freestanding garages is currently £7.58 per week. It is proposed that rent for all garages are increased by 3% to £7.81 per week. This percentage increase is in line with the rent increase.
19. Ty lolo Hostel - The current charge for persons accommodated is £169.59 per week. It is proposed that the weekly rent charge is increased by 3% to £174.68 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.

20. 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 £555.90. It is proposed that the charge be increased by 3% to £572.58 per week.
21. Temporary Accommodation - The average current weekly charge including additional management, utility and service charge costs is £167.80. It is proposed that the rent element be increased by 3%. The total charge will therefore be £172.84 per week.
22. Sheltered Housing Guest Suites - It is proposed that the charges for guest room facilities are increased by 3% to £13.08 per person per night for double occupancy and £18.69 for single occupancy.
23. 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.
24. The following paragraphs outline the main changes to the Service Charges. The proposed charges 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:-
25. Heating - The cost of providing heating to sheltered properties has decreased. It is proposed that the charge be decreased from £6.41 per week to £5.74 per week based on the actual costs incurred in the 12 months prior to the budgeting period.
26. Warden Housing Management Charge - The proposed new charge is £9.97 per week. This combines the previous two charges for Warden Management and Warden Support.
27. Cleaning of communal areas – The cost of cleaning communal areas has increased. It is proposed that the charge be increased from £2.02 per week to £2.31 per week based on the estimated costs for 2018/19.
28. Lighting of communal areas – The cost of providing lighting has increased. It is proposed that the charge be increased from £0.87 per week to £0.94 per week based on the actual costs incurred in the 12 months prior to the budgeting period
29. Lift Maintenance - The cost of lift maintenance has decreased, due to a reduction in the number of emergency call-outs. It is proposed that the charge be decreased from £0.92 per week to £0.48 per week based on the actual costs incurred in the 12 months prior to the budgeting period.
30. Sewerage Treatment Plants - The charge to owners of all purchased and private dwellings connected to Council owned and maintained treatment plants is currently £329.22 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 2018/19 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 £6.35 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 2018/19 issued by Dwr Cymru Welsh Water. Whilst the

schedule was not available at the time of writing, the 2018/19 equivalent charge could be in the region of £6.60 per week.

Next Steps

32. Cabinet's final budget proposals will be considered by Council at a meeting to be held on 28th February 2018.

Resource Implications (Financial and Employment)

33. The projected balance on the Housing Revenue Account reserve at 1st April 2018 is £831k and is projected to be £852k on 1st April 2019.

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. The lead Scrutiny Committee is Corporate Performance and Resources.

Background Papers

Housing Business Plan – February 2018
Welsh Government's Policy for Social Housing Rents

Contact Officer

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Officers Consulted

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