

Meeting of:	Cabinet
Date of Meeting:	Monday, 28 February 2022
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Final Housing Revenue Account (HRA) Budget Proposals 2022/23
Purpose of Report:	To set the HRA budget for the financial year 2022/23 and to set the rents and service charges for the forthcoming rent year beginning on 1st April 2022
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Miles Punter Director of Environment and Housing
Elected Member and Officer Consultation:	The Corporate Management Team has been consulted on this report. The budget proposals do not require Ward Member consultation.
Policy Framework:	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.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The report details the final Housing Revenue Account budget proposals for 2022/23 and the proposed rents and service charges for the coming financial year. • In setting the rent level for 2022/23 the Council has ensured that it has complied with the Policy for Social Housing Rents which was issued by Welsh Government in December 2021. The maximum allowable uplift has been set at CPI only (as at September 2021) 3.1%. • The Council proposes to increase its rent by an average of 2.75%. Due to Covid 19, the Welsh Government suspended Target Rent Bands in 2020 and replaced them with a self- certification monitoring form. 	

Recommendations

It is recommended that: -

1. The final Housing Revenue Account budget proposals for 2022/23 are recommended to Council on 7th March, 2022 as outlined below: -

	Proposed Budget 2022/23 £'000
Expenditure	
Supervision & Management	5,544
Repairs & Maintenance	3,727
Capital Financing Costs	4,963
Rent, Rates & Taxes & Other Charges	237
Increase in Bad Debt Provision	673
Capital Expenditure from Revenue Account (CERA)	18,452
Income	
Dwelling Rents	(21,299)
Non Dwelling Rents	(162)
Interest	(5)
Charges for Services and Facilities	(545)
Contribution towards expenditure	(303)
Grant Income	(205)
(Surplus)/Deficit for the Year	11,077
Working Balance Brought Forward as at 1st April 2022	(12,000)
Working Balance Carried Forward as at 31st March 2023	(923)

2. An average rent increase of 2.75% be approved and recommended to Council, as set out in paragraphs 2.8-2.10.
3. The increase suggested for other services are approved and recommended to Council, as set out in paragraphs 2.11-2.24.
4. The following charges for 2022/23 financial year be recommended to Council: -

50 Week Basis	Current Charges	Proposed Charges
Heating	£7.87 per week	£7.45 per week
Warden Housing Management	£10.92 per week	£12.01 per week
VCAS:		
- Monitoring	£1.29 per week	£1.29 per week
- Maintenance	£2.20 per week	£2.20 per week
Grounds Maintenance	£1.34 per week	£1.35 per week
Cleaning of Communal Areas	£2.52 per week	£2.57 per week
Lighting of Communal Areas	£1.63 per week	£1.68 per week
Laundry Facilities	£0.48 per week	£0.38 per week
Window Cleaning	£0.17 per week	£0.18 per week
Lift Maintenance	£1.07 per week	£0.53 per week
Door Entry	£0.44 per week	£0.25 per week
Intercom	£0.92 per week	£0.84 per week
CCTV	£0.92 per week	£0.94 per week
Sewerage Treatment Plants	£374.73 per annum	Based on the Rateable Value (RV) from the Welsh Water Schedule 2022/23
Cesspool Emptying	£362.00 per annum	Based on the Rateable Value (RV) from the Welsh Water Schedule 2022/23

5. All changes to rents and service charges are implemented from 1st April 2022, with the first week of April being a non-chargeable rent week and that increase notices are sent to tenants 28 days in advance of the new charges coming into effect.
6. That the urgent decision procedure as set out in Section 14.14 of the Council's Constitution be used in order for Final Housing Revenue Account (HRA) Budget Proposals 2022/23 to be referred to Full Council on 7th March, 2022.

Reasons for Recommendations

1-5. In order that charges are approved, new rent levels are set within the specified Welsh Government (WG) guidelines and to meet the tenant notification deadline as required by statute.

6 To allow this report to be referred to Full Council on 7th March, 2022.

1. Background

- 1.1** 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 set so that the sum held in the Housing Revenue Account reserve at year end is not in a deficit position.
- 1.2** 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.
- 1.3** Each local authority should endeavour to have a working balance on the HRA, for any exceptional circumstances that may arise.
- 1.4** The basis for rent increases is set by the WG Policy for Social Housing Rents. Due to the Covid-19 pandemic, Welsh Government has suspended target rent bands for 2022/23 and they have been replaced by a self-certification monitoring form which is submitted in February 2022. In order to comply with the rent policy, social landlords must ensure their average weekly rent for their general needs and sheltered housing provides value for money and affordability to tenants. This has been demonstrated by the use of the Housemark affordability tool which compares Council housing rents with local Registered Social Landlords (RSLs). Council Housing rents were found to be less than the average rent charged by most RSL for most property sizes and types. In addition, Council tenants pay less than 30% of their income on rent which is a common affordability test. Larger homes, occupied by larger families were found to be the most affordable property type.
- 1.5** The 2022/23 Policy for Social Housing Rents issued by WG on 29th December 2021, includes the maximum allowable uplift which has been set at CPI only (as at September 2021), that is 3.1%.
- 1.6** The initial HRA budget proposals were considered by Cabinet on the 22nd November 2021 (minute no. C737). They were subsequently referred to the Homes and Safe Communities Scrutiny Committee on 16th December 2021, who

noted the proposals as did Corporate Performance and Resources Scrutiny Committee on 22nd December 2021.

2. Key Issues for Consideration

Base Budget 2022/23

- 2.1** The Budget Strategy for 2022/23 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.
- 2.2** 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.
- 2.3** The proposed 2022/23 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, Older Persons 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. The HRA receives the Affordable Housing Grant (AHG) from Welsh Government which supports new Council house building. The Council will take out a loan to fund capital expenditure and the AHG will be paid as an annual grant over a 29 year period and will be used to finance the interest and capital repayments of the debt.

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

2021/22	Pay	Committed	Dwelling & Non	Increase /	2022/23
Original	award/	Growth /	Dwelling Rent	(Decrease) in	Proposed
Budget	Inflation	(Savings)	Increase	CERA	Budget
£000	£000	£000	£000	£000	£000
(25)	69	(308)	(719)	12,060	11,077

2.5 A provision for general inflation includes an allowance for pay awards in 2022/23.

2.6 The net saving of £308k is due to a number of factors;

- An increase in Capital Financing charges of £195k in relation to an increased level of unsupported borrowing being taken out in 2022/23 to fund the Housing Improvement Programme.
- An increase in staff costs of £103k due to changes in NI, agency costs and increments.
- An increase in Premises costs of £21k mainly due to an increase in utility costs, rates and cleaning costs.
- An increase in Repair cost £184k due to an increase in the Schedule of Rates.
- A decrease in the provision for bad and doubtful debts of £598k due the provision rate reducing from 6% to 3% based on the current tenant arrears.
- A decrease in Supplies & Services of £39k, of which £19k relates to decreased insurance costs, savings of £43k on leaflets and publications and increased costs for software licence fees £21k and various increased costs of £2k.
- An increase in Transport of £1k.
- An overall increase in Income of £162k, £168k due to increase in technical fees income with regards to new builds and capital project team and a reduction in Interest and other income of £6k.
- A decrease in Central Support of £7k.
- An overall increase in Charges for Services and Facilities of £6k.

- 2.7** An increase in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £12.060m has been assumed. The projected balance on the HRA reserve as at 31st March 2022 is expected to be £12m, which is due to slippage on the capital program in 2021/22 into 2022/23 as per Appendix 1. 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 £923k as at 31st March 2023, which is broadly in line with the Housing Business Plan.

Proposed Increase in Rents

- 2.8** During the pandemic, government resources have been reprioritised meaning that this year's rent data-set collection was suspended at the start of the Covid-19 pandemic. Therefore, as there is no robust up to date data to generate Target Rent Bands for 2022/23, they have been replaced by a self-certification monitoring form for 2022/23. As part of the decision on the annual rent uplift/reduction, the authority should make an assessment of cost efficiencies across the operating cost base, value for money and affordability to tenants. In addition, the maximum amount a social landlord can increase an individual tenant's weekly rent is CPI only (3.1%).
- 2.9** 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 was received from Welsh Government at the end of January 2022 and does not show a breach .
- 2.10** It is proposed that rents are increased by 2.75% which is less than the maximum allowable. The rents 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	Average Rent for 2021/22 based on actual stock level* (Based on 50 Chargeable Weeks)	Proposed Average Rent Incr (+) / Decr (-) (Based on 50 Chargeable Weeks)	Proposed Average Rent for 2022/23 (Based on 50 Chargeable Weeks)
Bungalow	£105.68 per week	+ £2.91 per week	£108.59 per week
Flat	£92.20 per week	+ £2.53 per week	£94.73 per week
House	£114.92 per week	+ £3.16 per week	£118.08 per week

Maisonette	£100.82 per week	+ £2.77 per week	£103.59 per week
TOTAL *	£105.36 per week	+ £2.90 per week	£108.26 per week

* Calculation includes an increase in stock numbers between years due to additions in new build stock and transfers between Class 1 and 2 properties

Proposed Increases in Other Charges

- 2.11** Garage Rents - The rent of freestanding garages is currently £8.47 per week. It is proposed that rents for all garages are increased by 2.75% to £8.70 per week. This percentage increase is in line with the rent increase.
- 2.12** Ty lolo Hostel - The current charge for persons accommodated is £188.54 per week. It is proposed that the weekly rent charge is increased by a maximum of 2.75% per week to £193.72 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.
- 2.13** 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 £613.26. It is proposed that the charge be increased by a maximum of 2.75%, in line with the recommended increase for the Hostel. The weekly charge will therefore be £630.12 per week.
- 2.14** Temporary Accommodation - The average current weekly charge including additional management, utility and service charge costs is £185.88. It is proposed that the rent element be increased by a maximum of 2.75%. The total charge including service charges will therefore be £190.99 per week.
- 2.15** Sheltered Housing Guest Suites - It is proposed that the charges for guest room facilities are increased by 2.75% to £15.16 per person per night for double occupancy and £21.67 for single occupancy.
- 2.16** Vale Community Alarm Service (VCAS) - This is a charge which forms part of the inclusive rent but is separately identifiable. The charges for Alarm Monitoring and Alarm Maintenance are now shown separately. It is proposed that the Monitoring charge is £1.29 (which is funded by the Housing Support Grant for eligible service users) and the Maintenance charge is £2.20 per week (payable by the tenant). The monitoring charge equates to £1.24 per week on a 52 week basis.
- 2.17** 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: -
- 2.18** Heating - The cost of providing heating to sheltered properties has decreased. It is proposed that the charge be decreased from £7.87 per week to £7.45 per week based on the actual costs incurred in the 12 months prior to the budgeting period.

- 2.19** Warden Housing Management Charge - Warden Management costs have increased. It is proposed that the charge be increased from £10.92 per week to £12.01 per week.
- 2.20** Cleaning of Communal Areas – The cost of cleaning communal areas has increased. It is proposed that the charge be increased from £2.52 per week to £2.57 per week based on the estimated costs for 2021/22.
- 2.21** Lighting of Communal Areas – The cost of providing lighting has increased. It is proposed that the charge be increased from £1.63 per week to £1.68 per week based on the actual costs incurred in the 12 months prior to the budgeting period
- 2.22** Lift Maintenance - The cost of lift maintenance has decreased. It is proposed that the charge be decreased from of £1.07 per week to £0.53 per week based on the actual costs incurred in the 12 months prior to the budgeting period.
- 2.23** Sewerage Treatment Plants - The charge to owners of all purchased and private dwellings connected to Council owned and maintained treatment plants is currently £374.73 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 2022/23 issued by Dwr Cymru Welsh Water. The Welsh Water Schedule was not available at the time of writing.
- 2.24** Cesspool Emptying - The current charge of £7.24 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 2022/23 issued by Dwr Cymru Welsh Water. The Welsh Water Schedule was not available at the time of writing.

Next Steps

- 2.25** Cabinet's final budget proposals will be considered by Council at a meeting to be held on 7th March 2022.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** Looking to the long term - The HRA is a significant resource, with an annual budget set to support the required level of service to tenants, all approved policy decisions and to maintain an ongoing working balance to cover the cost of any exceptional circumstances that may arise.
- 3.2** Taking an integrated approach - Welsh Government sets the rent policy for social housing properties on an annual basis and the HRA budget and charges have been set based on the required target rent bands whilst also ensuring that they do not breach the housing benefit rent rebate limits set by the DWP.
- 3.3** Involving the population in decisions - The Housing Service continues to consult regularly with its tenants both through formal consultation exercises and through the Tenants Panel.
- 3.4** Working in a collaborative way - The Housing Service places collaboration and coproduction at its core through its work with other departments and statutory and voluntary sector partners both locally and at a regional level.

- 3.5** Understanding the root causes of issues and preventing them - Feedback from tenants is used to inform and improve service delivery and tenants are kept up to date and offered assistance to prepare for any changes in national policy such as welfare reforms in order to mitigate the impact on them and the HRA.

4. Resources and Legal Considerations

Financial

- 4.1** The projected balance on the Housing Revenue Account reserve at 1st April 2022 is expected to be £12m and is projected to be £923k on 1st April 2023.

Employment

- 4.2** There is no impact on staffing as a result of this report

Legal (Including Equalities)

- 4.3** 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.

5. Background Papers

Housing Business Plan – February 2022

Welsh Government's Policy for Social Housing Rents

HOUSING REVENUE ACCOUNT Projected Income and Expenditure				
2021/22 ORIGINAL BUDGET £000	2021/22 AMENDED BUDGET £000	2021/22 PROJECTED OUTTURN £000		2022/23 FINAL PROPOSED BUDGET £000
			Expenditure	
4,194	4,043	4,218	Supervision & Management - General	4,158
1,353	1,362	1,362	Supervision & Management - Special	1,386
3,543	3,543	3,543	Repairs & Maintenance	3,727
4,768	4,656	4,656	Capital Financing Costs	4,963
253	224	224	Rent, Rates, Taxes & Other Charges	237
1,271	249	249	Increase in Provision for Bad Debts	673
6,392	18,786	7,526	Capital Expenditure from Revenue Account (CERA)	18,452
21,774	32,863	21,778		33,596
			Income	
(20,574)	(20,598)	(20,598)	Dwelling Rents	(21,299)
(168)	(162)	(162)	Non Dwelling Rents	(162)
(10)	(3)	(3)	Interest	(5)
(539)	(528)	(528)	Charges For Services and Facilities	(545)
(303)	(282)	(282)	Contribution towards expenditure	(303)
(205)	(205)	(205)	Grant Income	(205)
(21,799)	(21,778)	(21,778)		(22,519)
(25)	11,085	0	(Surplus)/ deficit for the year	11,077

HOUSING REVENUE ACCOUNT Projected Movement on Reserve				
2021/22 ORIGINAL BUDGET £000	2021/22 AMENDED BUDGET £000	2021/22 PROJECTED OUTTURN £000		2022/23 FINAL PROPOSED BUDGET £000
(890)	(12,000)	(12,000)	Balance Brought Forward as at 1st April (Surplus)/Deficit	(12,000)
(915)	(915)	(12,000)	Balance Carried Forward as at 31st March (Surplus)/Deficit	(923)