

Meeting of:	Cabinet
Date of Meeting:	Thursday, 05 January 2023
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Final Housing Revenue Account (HRA) Budget Proposals 2023/24 and Rent Setting 2023/2024
Purpose of Report:	To set the HRA budget for the financial year 2023/24 and to set the rents and service charges for the forthcoming rent year beginning on 1st April, 2023.
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 2023/24. • The Housing Revenue Account is a ring-fenced account that is self-funded mainly by Council Dwelling rents and expenditure consists of staffing to manage the provision, repairs and maintenance costs of the housing stock, capital financing costs to service the debt and revenue contributions towards the capital programme including decarbonisation and new developments. • This report also sets out the proposed rents and service charges for the coming financial year 2023/24 as part of the Rented Homes Wales Act we are required to give 2 months notice of any increase in Council Rents to Council Tenants. • In setting the rent level for 2023/24 the Council has ensured that it has complied with the Policy for Social Housing Rents which was issued by Welsh Government on 17th November, 2022. The maximum allowable uplift has been set by Welsh Government at 6.5% for 2023/24 • The Council proposes to increase its rent by an average of 5.5%. Due to Covid-19, the Welsh Government suspended Target Rent Bands in 2020 and replaced them with a self- certification monitoring form. 	

- Welsh Government (WG) requires all Local Authorities with retained housing stock to submit a fit for purpose annual 30 year Housing Business Plan which will be brought to Cabinet for approval on 19th January, 2023. The plan incorporates a detailed financial forecast in the form of a 30 year financial model. The submission deadline for the Housing Business Plan is 31st March, 2023.
- The Housing Improvement Programme reflects ambitious proposals to invest in new build accommodation to address the acute shortage of social housing in the area. The Improvement Programme also seeks to decarbonise the existing housing stock through investment alternative energy sources, insulation and other energy efficiency initiatives.

Recommendations

1. Cabinet recommends that Council approves the final Housing Revenue Account budget proposals for 2023/24 set out below:

	2023/24 Final Proposed Budget
	£000
Expenditure	
Supervision & Management – General	4,366
Supervision & Management – Special	1,604
Repairs & Maintenance	4,681
Capital Financing Costs	5,327
Rent, Rates, Taxes & Other Charges	221
Increase in Provision for Bad Debts	948
Capital Expenditure from Revenue Account (CERA)	17,187
	34,334
Income	
Dwelling Rents	(22,453)
Non Dwelling Rents	(173)
Interest	(156)
Charges For Services and Facilities	(501)
Contribution towards expenditure	(74)
Grant Income	(205)
	(23,662)
(Surplus)/ deficit for the year	10,672
Working Balance Brought Forward as at 1st April 2023	(11,621)
Working Balance Carried Forward as at 31st March 2024	(949)

2. Cabinet recommends that Council approves an average rent increase of 5.5% be, as set out in paragraphs 2.17.
3. Cabinet recommends that Council approves the increase suggested for other services as set out in the table below and in paragraphs 2.18 to 2.25.

	2022/23 Actual Charges	2023/24 Proposed Charges	
50 Week Basis	£	£	
Grounds Maintenance	1.35	1.47	per week
Cleaning of communal areas	2.57	2.75	per week
Lighting of communal areas	1.68	1.85	per week
Laundry Facilities	0.38	0.41	per week
Window Cleaning	0.18	0.16	per week
Lift Maintenance	0.53	0.99	per week
Door Entry	0.25	0.50	per week
Intercom	0.84	0.94	per week

CCTV	0.94	0.95	per week
Sewerage Treatment Plants	399.86	426.66	per annum
Cesspools	386.00	411.50	per annum

4. Cabinet recommends that Council approves all changes to rents and service charges be implemented from 1st April, 2023, with the first week of April being a non-chargeable rent week and that increase notices are sent to tenants two months in advance of the new charges coming into effect as required by the Rented Homes Wales Act.
5. Cabinet is recommended to approve the urgent decision procedure as set out in Section 15.14 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 11th January, 2023.

Reasons for Recommendations

1. To facilitate budget monitoring and to demonstrate a balanced budget with a drawdown from HRA reserves to bring the reserve back into balance with the Housing business Plan 2023/24.
2. In order that new rent levels are set within the specified Welsh Government (WG) guidelines and to meet the tenant notification deadline as required by statute.
3. That charges are approved and to meet the tenant notification deadline as required by statute.
4. 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.
5. To allow this report to be referred to Full Council on 11th January, 2023 in order to comply with the Rented Homes Wales Act.

1. Background

- 1.1 Local housing authorities are 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. The working balance at 31st March, 2023 is projected to be £11.621m and is projected to reduce to £949k during 2023/24.
- 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 continued to suspend target rent bands for 2023/24 and they have been replaced by a self-certification monitoring form which is to be submitted in February 2023. 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). The proposed 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 Welsh Government recently announced the social rent settlement for the 2023/24 financial year, alongside a package of support for social tenants who are struggling financially. The 2023/24 Policy for Social Housing Rents issued by WG on 17th November, 2022 has set maximum allowable uplift at 6.5%, and will be applied by landlords using the existing formula. This means social landlords have flexibility within their stock to freeze, reduce or increase their rents beyond 6.5% (up to a maximum individual property rent increase of 6.5% plus £2.00p/w). However, the overall rental income from a landlords housing stock cannot increase beyond 6.5%.
- 1.6** The Council must also ensure that it has a viable 30 year Housing Business Plan and following careful analysis and financial modelling it is proposed that rents are increased by 5.5% to reflect not only the current financial situation with high interest rates and inflationary cost pressures in delivering current priorities and commitments but to ensure that the Council can deliver its ongoing ambition to build new Council Housing at pace and scale, to decarbonise the council housing stock by 2030 and to ensure that funding is available to meet the requirements of the new Welsh Housing Quality Standard (WHQS) which is due to be introduced in 2023. The Housing Business Plan will be brought to Cabinet for approval on 19th January, 2023 and Full Council on 7th March, 2023.
- 1.7** The Council is acutely aware of the financial pressures that our tenants are facing at this time and the impact that rent increases may have particularly on those who do not receive any form of housing subsidy. As a result the Council will also commit to the following measures to mitigate some of those impacts;
- No evictions due to financial hardship for the term of the settlement, (financial year 2023/24), where tenants engage with their landlords

- Continue to provide targeted support to those experiencing financial hardship to access support available
- Maximise the use of all suitable social housing stock, with a focus on helping those in the poorest quality transitional accommodation move into longer term homes that meet their needs
- Undertake a joint campaign to encourage tenants talk to their landlord if they are experiencing financial difficulties and access support available
- Build on existing engagement with tenants in rent setting decisions, including explaining how income from rent is invested and spent
- A commitment to invest in existing homes to keep them safe, warm and affordable to live in
- Work in partnership with tenants, Welsh Government, funders and other partners to develop a consistent approach to assessing affordability across the social housing sector in Wales
- Participate in an assurance exercise in April 2023 to reflect on application of the rent policy to date. This will build on the work undertaken by social landlords over the past 3 years, and inform future work to develop a consistent approach to assessing affordability.

1.8 The initial HRA budget proposals were considered by Cabinet on the 17th November, 2022 (minute no. C134). They were subsequently referred to the Homes and Safe Communities Scrutiny Committee on 7th December, 2022, who noted the proposals as did Corporate Performance and Resources Scrutiny Committee on 14th December, 2022.

1.9 The initial proposals have been reviewed in the context of the proposed housing rent increase of 5.5% and the 30 year housing business plan which balances the need to deliver new build housing stock, decarbonise the existing housing stock and the need to commence the next tranche of WHQS from 2023.

2. Key Issues for Consideration

- 2.1** The Budget Strategy for 2023/24 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 2023/24 budget is set out at recommendation 1 totalling a deficit of £10.672m which will be funded from the Housing Revenue Account reserve in 2023/24.
- 2.4** The table below sets out the changes to the original 2022/23 budget to bring forward the proposed budget for 2023/24. The changes are detailed in the paragraphs below.

	£000
Original Budget 2022/23	11,077
Pay/Inflation	194
Committed Growth/(Savings)	1,831
Dwelling & Non Dwelling Rent Increase	(1,165)
Increase/(Decrease) in Capital Expenditure Revenue Account	(1,265)
Proposed Budget 2023/24	10,672

2.5 A provision for general inflation £194k includes an allowance for the correction of the base budget for the 2022/23 pay award which was more than was estimated at £1,925 per spinal point and allows for an estimated pay award of 5% in 2023/24. The remaining £49k is inflation on utilities at 200% and insurance at 10%.

2.6 The committed growth of £2.309m is due to a number of factors;

- An increase in capital financing charges of £364k in relation to an increased level of unsupported borrowing being taken out in 2023/24 to fund the Housing Improvement Programme. This is based on a borrowing figure of £17m in 2023/24.
- An increase in staff costs of £234k due to changes in staff and increments.
- An increase in premises costs of £125k mainly due to an increase in utility costs.
- An increase in repair costs £954k due to an increase in the Schedule of Rates and new fire door inspection contract.
- An increase in the provision for bad and doubtful debts of £275k based on 4% of total dwelling income and service charges.
- A decrease in supplies and services of £134k, of which £130k is due to reprofiling of spend for the purchase of the new software system, reduction in Insurance recharge £12k and increase in survey costs £8k.
- A decrease in transport costs of £6k.
- A decrease in Income of £4k mainly due to commission on water collections ceasing from April 2023 and additional interest income on HRA balances.
- An increase in central support charges £15k.

2.7 A decrease in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £1.265m has been assumed. The amount of revenue contribution required £17.187m 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 £1.025m as at 31st March, 2024, which is broadly in line with the Housing Business Plan.

2.8 The table below shows the projected balances on HRA reserves over the next 5 years:

		Closing HRA Working Balance
As at :	Year	£'000
31.3.23	Current	11,621
31.3.24	Yr1	949
31.3.25	Yr2	1,025
31.3.26	Yr3	1,067
31.3.27	Yr4	1,099
31.3.28	Yr5	1,132

New Development Schemes

- 2.9** The standard and quality associated with affordable housing development is rapidly changing in Wales. Since 1st April, 2021, all new social housing developments in Wales – which are to be supported by Social Housing Grant (SHG) - will have to achieve an energy efficiency rating of EPC A (SAP92+) and use a fabric first approach.
- 2.10** Also, in the Autumn of 2021, the new Welsh Government Design Quality Requirements (WDQR 2021) were implemented, placing a greater emphasis on achieving EPC A rating by using Modern Methods of Construction (MMC) and particularly Off-Site Manufacturing (OSM) techniques and the use of non-fossil fuel based heating and hot water systems
- 2.11** In response, the Council’s Housing Development Team has ensured that these new rigorous design and energy efficiency standards are realised in all the current and future Council housing developments that are being brought forward.
- 2.12** During 2023/24 there will be 138 new Council homes under construction including single persons, older persons and family housing, on sites at the former Colcot Health Clinic, Barry (12 units); Hayeswood Road, Barry (53 units); Clos Holm View Phase 2, Barry (31 units); Coldbrook Road East, Barry (20 units); St Cyres Road, Penarth (14 units) and Maes y Ffynnon, Bonvilston (8 units).
- 2.13** Also, during 2023/24 the Housing Development Team will continue to explore opportunities to address the growing international and domestic housing crisis. This will include the acquisition and repurposing of local hotels and vacant public buildings for temporary accommodation. The Council will also commit one of its larger sites for ‘meanwhile use’ and will provide a 90-unit temporary accommodation facility at Eagleswell Road, Llantwit Major, primarily for use by Ukrainian people fleeing the conflict in their country this scheme will be 50% WG Grant Funded.

2.14 A large part of the Housing Improvement Programme is funded by Capital Expenditure from Revenue Account (CERA). The Housing improvement Programme sets out the delivery of various schemes including maintaining Welsh Housing Quality Standards (WHQS), Environmentals and Regeneration, New Build and other individual schemes.

		Rty of WHQS & Other	New Build	Total Expenditure	Estimated Number of Units
Year	Year	£'000	£'000	£'000	
1	2023/24	14,995	30,024	45,019	138
2	2024/25	21,790	18,965	40,755	130
3	2025/26	19,612	15,645	35,257	46
4	2026/27	12,501	11,245	23,746	58
5	2027/28	12,789	9,245	22,034	65

Investment as Part of 5 Year Capital Programme

2.15 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 2023/24, they have been replaced by a self-certification monitoring form for 2023/24. 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 6.5%.

2.16 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 is due to be issued by Welsh Government at the end of January 2023.

2.17 It is proposed that rents are increased by 5.5% which is less than the maximum allowable. The rents have been set in line with the Council's 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	Based on 50 Chargeable weeks		
	Average Rent for 2022/23 per week based on actual stock level*	Proposed Average Rent per week Increase (+) / Decrease (-)	Proposed Average Rent per week for 2023/24
	£	£	£
Bungalow	108.59	5.98	114.57
Flat	94.78	5.21	99.99
House	118.11	6.49	124.60
Maisonette	103.59	5.70	109.29
TOTAL *	108.26	5.95	114.25

* 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

- 2.18** As part of its activities HRA also charges for different types of properties and these rentals and charges have been increased by 5.5% in line with the increase in housing rents.
- 2.19** Service charges have been increased based on the estimated outturn for 2022/23 therefore the increases and decreases for some of these items do not necessarily reflect the inflationary pressures that are being reported in the wider Council budget.
- 2.20** Garage Rents - the rent of freestanding garages is currently £8.70 per week. It is proposed that rents for all garages are increased by 5.5% to £9.18 per week. This percentage increase is in line with the rent increase.
- 2.21** Ty lolo Hostel - the current charge for persons accommodated is £193.72 per week. It is proposed that the weekly rent charge is increased by a maximum of 5.5% per week to £204.37 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 Welsh Government recommended rent increase.
- 2.22** 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 £630.12. It is proposed that the charge be increased by a maximum of 5.5%, in line with the recommended increase for the Hostel. The weekly charge will therefore be £664.77 per week.
- 2.23** Temporary Accommodation - the average current weekly charge including additional management, utility and service charge costs is £190.99. It is proposed that the rent element be increased by a maximum of 5.5%. The total charge including service charges will therefore be £201.49 per week.
- 2.24** Sheltered Housing Guest Suites - it is proposed that the charges for guest room facilities are increased by 5.5% to £15.99 per person per night for double occupancy and £22.86 for single occupancy.
- 2.25** 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. These are now due to be reported to cabinet on the 19th January, 2023. 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:

- Heating - the cost of providing heating to sheltered properties has increased. It is proposed that the charge be increased from £7.45 per week to £11.19 per week based on the forecast costs in the current budgeting period.
- Warden Housing Management Charge - Warden Management costs have decreased. It is proposed that the charge be decreased from £12.01 per week to £11.97 per week.
- Cleaning of Communal Areas – the cost of cleaning communal areas has increased. It is proposed that the charge be increased from £2.57 per week to £2.75 per week based on the estimated costs for 2022/23.
- Lighting of Communal Areas – the cost of providing lighting has increased. It is proposed that the charge be increased from £1.68 per week to £1.85 per week based on the actual costs incurred in the 12 months prior to the budgeting period
- Lift Maintenance - the cost of lift maintenance has increased. It is proposed that the charge be increased from of £0.53 per week to £0.99 per week based on the actual costs incurred in the 12 months prior to the budgeting period.
- Sewerage Treatment Plants - the charges to owners of all purchased and private dwellings connected to Council owned and maintained treatment plants is currently £399.86 per annum, based on the average charge payable if the properties were connected to the main sewerage system. It is proposed that these dwellings have a 6.7% increase which is £426.66 per annum.
- Cesspool Emptying - the current charge of £7.72 per week is based on an equivalent rate to those properties connected to the main sewerage system. It is proposed therefore that these dwellings have a 6.6% increase which is £8.23 per week.

Next steps

- 2.26** Cabinet's final budget proposals will be considered by Council at a meeting to be held on 11th January, 2023.
- 2.27** The Housing Business Plan will be brought to Cabinet on 19th January for approval and reported to Full Council for approval on 7th March, 2023.
- 2.28** These proposals will be reflected in the Final Capital Proposals and Capital Strategy and Treasury Management Strategy which is due to be reported to Cabinet on 27th February, 2023 and Council on 7th March, 2023.
- 2.29** The rent increases will take effect from 1st April, 2023.

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. Climate Change and Nature Implications

- 4.1** The Council understands the importance of decarbonisation to help protect and sustain the environment over the long term and in line with its Climate emergency declaration is working and investing in measures to reduce its CO² emissions and impacts on our tenants. Several projects are included in the 2022/23 and proposed 2023/24 Housing Improvement Programme which will assist the work the Council is undertaking as part of Project Zero and commitments in the Council's Climate Challenge Plan. The Housing Improvement programme is partly funded by Capital Expenditure funded from the Revenue Account (CERA).
- 4.2** All schemes progressed as part of the proposals set out the decarbonisation considerations that will be considered in formulating the individual project. Further details on Decarbonisation within the Housing Improvement programme can be found in the Housing Business Plan 2023/24.

5. Resources and Legal Considerations

Financial

- 5.1** The projected balance on the Housing Revenue Account reserve at 1st April, 2024 is expected to be £949k and is projected to be £1.025m on 1st April, 2025.

- 5.2** The Housing Revenue Account Capital Expenditure from Revenue Account (CERA) is expected to be £16.762m in 2023/24.
- 5.3** Adjusting the level of CERA by this amount will leave a minimum HRA Reserve of £949k as at 1st April, 2024, which is broadly in line with the Housing Business Plan and is projected to be £1.051m on 1st April, 2025.
- 5.4** The proposed Housing Improvement 5 year Capital Programme and funding streams are set out below:

	Total Expenditure	Financing					Total Financing
		Borrowing	Other RTB Receipts	Other/ Grants	MRA	CERA	
		£'000	£'000	£'000	£'000	£'000	
Yr1	45,019	17,193	0	7,866	2,773	17,187	45,019
Yr2	40,755	27,322	0	3,556	2,773	7,104	40,755
Yr3	35,257	23,180	0	2,590	2,773	6,715	35,257
Yr4	23,746	11,571	0	2,600	2,773	6,802	23,746
Yr5	22,034	9,033	0	2,600	2,773	7,628	22,034

Employment

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

Legal (Including Equalities)

- 5.6** The Council under the 1989 Local Government and Housing Act have a legal obligation to set a budget for the Housing Revenue Account. The Rented Homes Wales Act requires notices of any increases have to be sent to tenants 2 months in advance of the new changes coming into effect.

6. Background Papers

Housing Business Plan – January 2023

Welsh Government's Policy for Social Housing Rents

Rented Homes Wales Act