

The Vale of Glamorgan Council

Cabinet Meeting: 20 November, 2017

Report of the Leader

Initial Housing Revenue Account Budget Proposals 2018/19

Purpose of the Report

1. To gain Cabinet's approval for the Housing Revenue Account amended budget for 2017/18 and the initial budget proposals for 2018/19, so that the proposals may be submitted to Scrutiny Committee for consultation.

Recommendations

It is recommended that:-

1. The amended Housing Revenue Account budget for 2017/18 as set out in [Appendix 1](#) be approved and submitted to Corporate Performance and Resources Scrutiny Committee for information to provide a context for recommendation 2.
2. The initial Housing Revenue Account budget proposal for 2018/19 be approved for consultation with the relevant Scrutiny Committee.
3. The recommendations of Scrutiny Committees are passed to Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee in order for their views to be forwarded to Cabinet.
4. The increase for rent and other services are subject to a future report to Cabinet as soon as the information is available from the Welsh Government (WG).

Reasons for the Recommendations

1. To facilitate monitoring of the amended Housing Revenue Account budget.
2. In order to gain the views of Scrutiny Committee regarding the 2018/19 Housing Revenue Account Budget proposals.
3. In order that Cabinet be informed of the comments of Scrutiny Committee before making a final proposal on the budget.
4. In order to meet the statutory deadline to notify tenants of the new charges as required by Statute.

Background

- 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.
- During the course of the year, local authorities must review their HRA expenditure and income. If on the basis of the information available, the balance of the HRA reserve is heading for a deficit, then steps must be taken 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.
- Each local authority should endeavour to have a working balance on the HRA reserve, for any exceptional circumstances that may arise.
- The level of rent increase is based on a rent policy introduced by the Welsh Government. At the time of writing this report, an announcement had not yet been made, therefore, an average rent increase of 3%, has been included in the 2018/19 initial budget proposals, which is in line with the Housing Business Plan - February 2017.

Amended Budget 2017/18

- Set out below is a table comparing the original budget with the proposed amended budget.

	2017/18 Original Budget	2017/18 Proposed Amended Budget	Variance Favourable (-) Adverse (+)
	£'000	£'000	£'000
Housing Revenue Account (Surplus)/Deficit	(131)	127	+258

- The net operational budget for 2017/18 has changed from a surplus of £131k to a deficit of £127k. A review of the current budget has found a potential net saving this year of £2.684m. The main reasons for this is that the estimated increase in the provision for bad and doubtful debts has been reduced by £1.014m as the Universal Credit and its effects will not have the full impact until April 2019. There has been little increase in the actual level of rent arrears in this financial year and it is not anticipated that the provision will need to be substantially increased. In addition, there has been a reduction in the Repairs and Maintenance budget of £600k which partly relates to an external painting programme which will continue in to 2018/19 following the completion of a pilot scheme and the WHQS external works

programme. A reduction in Capital Financing Costs of £589k is anticipated and Premises costs are expected to be £143k less than budgeted, largely due to reductions in utilities and cleaning costs. Staffing costs are estimated to be £88k less than anticipated due to vacant posts and staff budgets being originally included at top of scale. Other budgets that are expected to outturn with an underspend are: survey costs £58k, compliance costs £24k, Incentive to Move £39k, leaflets and publications £44k, computer hardware and software costs £54k and bank charges of £12k. There is also expected to be a reduction in void costs of £73k. There are various other savings of £87k. These savings have been offset by an adjustment in Service Charge income of £141k, mainly due to Supporting People funding for warden support ceasing from October 2017.

8. The balance on the HRA reserve brought forward as at 1st April 2017 is £958k and is higher than required. In order to minimise the amount of unsupported borrowing required in year to fund the Housing Improvement Programme, it is prudent to use HRA revenue reserves up to a minimum balance. The level of Capital Expenditure funded from the Revenue Account (CERA), has been recalculated at £6.481m, which is an increase of £2.942m. This will leave a balance on the HRA reserve at year end of £831k, which is in line with the minimum amount required as per the Business Plan.

Base Budget 2018/19

9. 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.
10. The HRA is a ring fenced account and therefore any growth has to be funded from its available funds.
11. The proposed 2018/19 budget is set out at [Appendix 1](#) and is identified over the following areas.
 - Supervision & Management (General) - This budget 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 – This relates to costs associated with financing HRA debt.
 - Rents, Rates, Taxes and Other Charges - This budget 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 or decreased 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.

Proposed Increases in Charges

12. The charges for rent and other services provided by the Housing Service are reviewed annually. These will be subject to a future report once the guidance has been received from WG regarding the setting of rents for 2018/19. Set out below is a table summarising the original budget for 2017/18 with the proposed budget for 2018/19.

2017/18 Original Budget	Inflation / Pay Award	Committed Growth / (Savings)	Estimated Rent Increase	Increase/ (Decrease) in CERA	2018/19 Proposed Budget
£000	£000	£000	£000	£000	£000
(131)	133	(368)	(559)	904	(21)

13. A provision for general inflation includes an allowance for pay awards in 2017/18.

14. The net saving of £368k is due to a number of factors;

- A decrease in Capital Financing charges of £104k in relation to unsupported borrowing to be raised in 2017/18 to fund the Housing Improvement Programme.
- A decrease in staff costs for vacant posts and staff changes of £64k.
- An increase of £43k in central recharges.
- A reduction in Premises costs of £123k.
- A reduction in Supplies & Services of £175k.
- A reduction in income of £60k due to the cessation of Supporting People funding from October 17.
- Various other minor savings of £5k.

15. An increase in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £904k 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 balance on the HRA Reserve of £852k, which is in line with the Business Plan.

Next Steps

16. The next stage is for the estimates to be submitted to Scrutiny Committees for consultation. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and will consider both the Initial Housing Account Revenue Budget Proposals and any comments that other Scrutiny Committees have made. The responses of Scrutiny Committee must be made no later than 14th December 2017.
17. The Budget Working Group will hold a series of meetings in November 2017 with the relevant Cabinet Members and officers to consider the budget proposals. They will submit their recommendations so that the Cabinet may make its final budget proposal no later than 19th February 2018. Before making its recommendation, the Budget Working Group will consider the comments made by Scrutiny.
18. 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)

19. The Housing Revenue Account working balance at 1st April 2018 is projected to be £852k.

Legal Implications (to Include Human Rights Implications)

20. 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

21. 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)

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

Corporate/Service Objectives

23. 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

24. This report is following the procedure laid down in the Constitution for the making of the budget and so does not need to be referred to Council. However the final 2018/19 budget will require the approval of Council.

Consultation (including Ward Member Consultation)

25. The Corporate Management Team has been consulted on this report. The initial budget proposals do not require ward member consultation.

Relevant Scrutiny Committee

26. The lead Scrutiny Committee is Corporate Performance and Resources.

Background Papers

Housing Business Plan - February 2017

Contact Officer

Carolyn Michael - Operational Manager Accountancy

Officers Consulted

Carys Lord - Head of Finance

Miles Punter - Director of Environment and Housing

Mike Ingram – Head of Housing & Building Services

Responsible Officers:

Miles Punter - Director of Environment and Housing