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| Name of Committee: | Cabinet |
| Date of Meeting: | 18/02/2019 |
| Relevant Scrutiny Committee: | Corporate Performance and Resources |
| Report Title: | Final Housing Revenue Account (HRA) Budget Proposals 2019/20 |
| Purpose of Report: | To set the HRA budget for the financial year 2019/20 and to set the rents and service charges for the forthcoming rent year beginning on 1st April 2019. |
| Report Owner: | Report of the Leader |
| 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. |

Executive Summary:

- The report details the final Housing Revenue Account budget proposals for 2019/20 and the proposed rents and service charges for the coming financial year, commencing on 1st April 2019.
- In setting the rent level for 2019/20 the Council has ensured that it has complied with the Policy for Social Housing Rents which was issued by Welsh Government in December 2018. The maximum allowable uplift has been set at CPI (as at September 2018) 2.4% only. However, where a social landlord's average rent is below their target rent band and is required under the rent policy to be within the rent band and an additional £2 per week can be applied.
- A rent increase of CPI (2.4%) only would result in the Council's average rent falling just below Welsh Government's target rent band. It is therefore proposed that rents are increased by 4% which is an average increase of CPI (2.4%) plus £1.22 and is below the maximum limit.

1. Recommendation

It is recommended that:-

- 1.1** The final Housing Revenue Account budget proposals for 2019/20 are recommended to Council as outlined below:-

| | Proposed Budget 2019/20 £'000 |
|--|--|
| Expenditure | |
| Supervision & Management | 5,361 |
| Repairs & Maintenance | 4,043 |
| Capital Financing Costs | 4,590 |
| Rent, Rates & Taxes & Other Charges | 215 |
| Increase in Bad Debt Provision | 595 |
| Capital Expenditure from Revenue Account (CERA) | 5,846 |
| Income | |
| Dwelling Rents | (19,552) |
| Non Dwelling Rents | (172) |
| Interest | (10) |
| Charges for Services and Facilities | (491) |
| Contribution towards expenditure | (312) |
| Grant Income | (134) |
| (Surplus)/Deficit for the Year | (21) |
| Working Balance Brought Forward as at 1st April 2019 | (852) |
| Working Balance Carried Forward as at 31st March 2020 | (873) |

- 1.2** An average rent increase of 4% be approved and recommended to Council, as set out in paragraphs 4.8-4.10.

- 1.3** The increase suggested for other services are approved and recommended to Council, as set out in paragraphs 4.11-4.24.

- 1.4** The following charges for 2019/20 financial year be recommended to Council:-

| 50 Week Basis | Current Charges | Proposed Charges |
|---------------------------|------------------------|-------------------------|
| Heating | £5.74 per week | £6.83 per week |
| Warden Housing Management | £9.97 per week | £10.14 per week |

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VCAS:

| | | |
|---------------|----------------|-------------|
| - Piper | £4.34 per week | Shown Below |
| - Communicall | £4.92 per week | Shown Below |

VCAS:

| | | |
|---------------|-------------|----------------|
| - Monitoring | Shown Above | £1.24 per week |
| - Maintenance | Shown Above | £2.14 per week |

Grounds Maintenance £1.35 per week £1.38 per week

Cleaning of Communal Areas £2.31 per week £2.45 per week

Lighting of Communal Areas £0.94 per week £1.21 per week

Laundry Facilities £0.26 per week £0.27 per week

Window Cleaning £0.17 per week £0.17 per week

Lift Maintenance £0.48 per week £0.75 per week

Door Entry £0.73 per week £0.67 per week

Intercom £0.71 per week £0.71 per week

CCTV £0.90 per week £0.90 per week

Sewerage Treatment Plants £341.93 per annum Based on the Rateable Value (RV) from the Welsh Water Schedule 2019/20

Cesspool Emptying £330.00 per annum Based on the Rateable Value (RV) from the Welsh Water Schedule 2019/20

- 1.5** All changes to rents and service charges are implemented from 1st April 2019 and that increase notices are sent to tenants 28 days in advance of the new charges coming into effect.

2. Reasons for Recommendations

- 2.1** 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.

3. Background

- 3.1** 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 such that the Housing Revenue Account is not in deficit at the year end.
- 3.2** 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.
- 3.3** Each local authority should endeavour to have a working balance on the HRA, for any exceptional circumstances that may arise.
- 3.4** 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.
- 3.5** The 2019/20 Policy for Social Housing Rents was issued by WG on 12th December 2018 and includes the 2019/20 rent bands and the maximum allowable uplift which has been set at CPI (as at September 2018), that is 2.4% only. However, where a social landlord's average rent is below their target rent band and is required under the rent policy to be within the rent band, an additional £2 per week can be applied.
- 3.6** The initial HRA budget proposals were considered by Cabinet on the 19th November 2018 (minute no. C481). They were subsequently referred to the Homes and Safe Communities Scrutiny Committee on 5th December 2018, who noted the proposals as did Corporate Performance and Resources Scrutiny Committee on 13th December 2018.

4. Key Issues for Consideration

Base Budget 2019/20

- 4.1** The Budget Strategy for 2019/20 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.

- 4.2** 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.
- 4.3** The proposed 2019/20 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 2019/20 onwards the HRA will receive 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

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28 year period and will be used to finance the interest and capital repayments of the debt.

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

| 2018/19 Original Budget £000 | Pay Inflation £000 | Committed Growth / (Savings) £000 | Dwelling & Non Dwelling Rent Increase £000 | Increase / (Decrease) in CERA £000 | 2019/20 Proposed Budget £000 |
|---|-----------------------------------|--|---|---|---|
| (21) | 70 | (544) | (787) | 1,261 | (21) |

4.5 Pay inflation of £70k relates to the pay awards for 2019/20 as per the new single status pay structure agreed by Council on 12th December 2018 (Council minute no. C483).

4.6 The net saving of £544k is due to a number of factors;

- A decrease in Capital Financing charges of £387k in relation to unsupported borrowing being taken out in 2019/20 to fund the Housing Improvement Programme.
- A decrease in the provision for bad and doubtful debts of £564k due to the delay in the mass roll-out of Universal Credit.
- An increase in staff costs of £143k, £100k of which is for investment in Apprentices and Trainees within the Housing department.
- An increase of £79k in central recharges.
- An increase in Premises costs of £16k largely due to increases in the grounds maintenance and cleaning contracts.
- An overall increase in Supplies & Services of £202k. There is an anticipated investment of £250k in digital transformation in 2019/20. This has been offset by the following savings: the Incentive to Move scheme has been amended (as per Cabinet minute no. C237) resulting in a budget reduction of £34k and there are various other savings of £14k.
- An increase of £7k on interest received on balances due to an increase in the base rate.
- An overall decrease in Charges for Services and Facilities and Contributions towards expenditure of £25k.
- An increase in Grant Income of £51k based on forecast Affordable Housing Grant receivable.

4.7 An increase in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £1,261k 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 £873k as at 31st March 2020, which is broadly in line with the Housing Business Plan.

Proposed Increase in Rents

4.8 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 2019/20. In addition, the maximum amount a social landlord can increase an individual tenant's weekly rent is CPI only (2.4%). However, where a social landlord's average rent is below their target rent band and is required under the rent policy to be within the rent band, an additional £2 per week can be applied.

4.9 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 issued by Welsh Government on 31st January 2019; the proposed average rent for 2019/20 is within this draft limit.

4.10 A rent increase of CPI (2.4%) only would result in the Vale of Glamorgan Council's average rent falling just below Welsh Government's target rent band. It is therefore proposed that rents are increased by 4% which is an average increase of CPI (2.4%) plus £1.22 and is below the maximum limit of CPI plus £2.00. 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 | Current Average Rent for 2018/19 (Based on 50 Chargeable Weeks) | Proposed Average Rent Incr (+) / Decr (-) (Based on 50 Chargeable Weeks) | Proposed Average Rent for 2019/20 (Based on 50 Chargeable Weeks) |
|----------------|--|---|---|
| Bungalow | £97.45 per week | + £3.90 per week | £101.35 per week |
| Flat | £85.11 per week | + £3.34 per week | £88.45 per week |
| House * | £106.04 per week | + £3.62 per week | £109.66 per week |
| Maisonette | £93.00 per week | + £3.72 per week | £96.72 per week |
| TOTAL * | £97.23 per week | + £3.52 per week | £100.75 per week |

* Average calculation include reduction in stock numbers between years due to right to buy sales

Proposed Increases in Other Charges

- 4.11** Garage Rents - The rent of freestanding garages is currently £7.81 per week. It is proposed that rents for all garages are increased by 4% to £8.12 per week. This percentage increase is in line with the rent increase.
- 4.12** Ty lolo Hostel - The current charge for persons accommodated is £174.68 per week. It is proposed that the weekly rent charge is increased by a maximum of 2.4% + £2 per week to £180.87 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.
- 4.13** 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 £572.58. It is proposed that the charge be increased by a maximum of 2.4% + £2, in line with the recommended increase for the Hostel. The weekly charge will therefore be £588.32 per week.
- 4.14** Temporary Accommodation - The average current weekly charge including additional management, utility and service charge costs is £172.84. It is proposed that the rent element be increased by a maximum of 2.4% +£2. The total charge will therefore be £178.98 per week.
- 4.15** Sheltered Housing Guest Suites - It is proposed that the charges for guest room facilities are increased by 4% to £13.60 per person per night for double occupancy and £19.44 for single occupancy.
- 4.16** Vale Community Alarm Service (VCAS) - This is a charge which forms part of the inclusive rent, but is separately identifiable. The proposed new charges for Alarm Monitoring and Alarm Maintenance are required to identify the separate elements. It is proposed that the new charges are £1.24 (which is funded by the Supporting People Programme Grant for eligible service users) and £2.14 per week (payable by the tenant) respectively.
- 4.17** 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:-
- 4.18** Heating - The cost of providing heating to sheltered properties has increased. It is proposed that the charge be increased from £5.74 per week to £6.83 per week based on the actual costs incurred in the 12 months prior to the budgeting period.

- 4.19** Warden Housing Management Charge - Warden Management costs have increased. It is proposed that the charge be increased from £9.97 per week to £10.14 per week.
- 4.20** Cleaning of Communal Areas – The cost of cleaning communal areas has increased. It is proposed that the charge be increased from £2.31 per week to £2.45 per week based on the estimated costs for 2019/20.
- 4.21** Lighting of Communal Areas – The cost of providing lighting has increased. It is proposed that the charge be increased from £0.94 per week to £1.21 per week based on the actual costs incurred in the 12 months prior to the budgeting period
- 4.22** 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 £0.48 per week to £0.75 per week based on the actual costs incurred in the 12 months prior to the budgeting period.
- 4.23** Sewerage Treatment Plants - The charge to owners of all purchased and private dwellings connected to Council owned and maintained treatment plants is currently £341.93 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 2019/20 issued by Dwr Cymru Welsh Water. The Welsh Water Schedule was not available at the time of writing.
- 4.24** Cesspool Emptying - The current charge of £6.60 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 2019/20 issued by Dwr Cymru Welsh Water. Whilst the schedule was not available at the time of writing, the 2019/20 equivalent charge could be in the region of £6.54 per week.

Next Steps

- 4.25** Cabinet's final budget proposals will be considered by Council at a meeting to be held on 27th February 2019.

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

- 5.1** 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 maintain an ongoing working balance to cover the cost of any exceptional circumstances that may arise.

- 5.2 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.
- 5.3 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.
- 5.4 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.
- 5.5 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.

6. Resources and Legal Considerations

Financial

- 6.1 The projected balance on the Housing Revenue Account reserve at 1st April 2019 is £852k and is projected to be £873k on 1st April 2020.

Employment

- 6.2 There is no impact on staffing as a result of this report.

Legal (Including Equalities)

- 6.3 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.

7. Background Papers

OT Housing Business Plan – February 2019

Welsh Government's Policy for Social Housing Rents

APPENDIX 1

| HOUSING REVENUE ACCOUNT | | | |
|---|--|---|---|
| Projected Income and Expenditure | | | |
| 2018/19 ORIGINAL BUDGET £000 | 2018/19 AMENDED BUDGET £000 | | 2019/20 INITIAL PROPOSED BUDGET £000 |
| | | Expenditure | |
| 3,599 | 3,522 | Supervision & Management - General | 4,070 |
| 1,256 | 1,266 | Supervision & Management - Special | 1,291 |
| 4,043 | 3,343 | Repairs & Maintenance | 4,043 |
| 4,977 | 4,514 | Capital Financing Costs | 4,590 |
| 211 | 200 | Rent, Rates, Taxes & Other Charges | 215 |
| 1,159 | 249 | Increase in Provision for Bad Debts | 595 |
| 4,585 | 6,818 | Capital Expenditure from Revenue Account (CERA) | 5,846 |
| 19,830 | 19,912 | | 20,650 |
| | | Income | |
| (18,767) | (18,969) | Dwelling Rents | (19,552) |
| (170) | (167) | Non Dwelling Rents | (172) |
| (3) | (3) | Interest | (10) |
| (537) | (525) | Charges For Services and Facilities | (491) |
| (291) | (244) | Contribution towards expenditure | (312) |
| (83) | (81) | Grant Income | (134) |
| (19,851) | (19,989) | | (20,671) |
| | | | |
| (21) | (77) | (Surplus)/ deficit for the year | (21) |

| HOUSING REVENUE ACCOUNT | | | |
|---|--|---|---|
| Projected Movement on Reserve | | | |
| 2018/19 ORIGINAL BUDGET £000 | 2018/19 AMENDED BUDGET £000 | | 2019/20 INITIAL PROPOSED BUDGET £000 |
| (831) | (775) | Balance Brought Forward as at 1st April (Surplus)/Deficit | (852) |
| | | | |
| (852) | (852) | Balance Carried Forward as at 31st March (Surplus)/Deficit | (873) |