

Meeting of:	Cabinet
Date of Meeting:	Monday, 03 February 2020
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Final Housing Revenue Account (HRA) Budget Proposals 2020/21
Purpose of Report:	To set the HRA budget for the financial year 2020/21 and to set the rents and service charges for the forthcoming rent year beginning on 1st April 2020
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:	<ul style="list-style-type: none"> • The report details the final Housing Revenue Account budget proposals for 2020/21 and the proposed rents and service charges for the coming financial year, commencing on 1st April 2020. • In setting the rent level for 2020/21 the Council has ensured that it has complied with the Policy for Social Housing Rents which was issued by Welsh Government in December 2019. The maximum allowable uplift has been set at CPI (as at September 2019) 1.7% plus 1%. • The Council proposes to increase its rent by an average of 2.7% and this would result in the Council's average rent falling just below Welsh Government's target rent band.

Recommendations

It is recommended that: -

1. The final Housing Revenue Account budget proposals for 2020/21 are recommended to Council as outlined below: -

	Proposed Budget 2020/21	£'000
Expenditure		
Supervision & Management		5,570
Repairs & Maintenance		3,543
Capital Financing Costs		4,947
Rent, Rates & Taxes & Other Charges		199
Increase in Bad Debt Provision		1,234
Capital Expenditure from Revenue Account (CERA)		5,665
Income		
Dwelling Rents		(20,066)
Non Dwelling Rents		(174)
Interest		(10)
Charges for Services and Facilities		(489)
Contribution towards expenditure		(303)
Grant Income		(133)
(Surplus)/Deficit for the Year		(17)
Working Balance Brought Forward as at 1st April 2020		(873)
Working Balance Carried Forward as at 31st March 2021		(890)

2. An average rent increase of 2.7% 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 2020/21 financial year be recommended to Council: -

50 Week Basis	Current Charges	Proposed Charges
Heating	£6.83 per week	£6.66 per week
Warden Housing Management	£10.14 per week	£10.71 per week
VCAS:		
- Monitoring	£1.24 per week	£1.24 per week
- Maintenance	£2.14 per week	£2.18 per week
Grounds Maintenance	£1.38 per week	£1.38 per week
Cleaning of Communal Areas	£2.45 per week	£2.49 per week
Lighting of Communal Areas	£1.21 per week	£1.15 per week
Laundry Facilities	£0.27 per week	£0.24 per week
Window Cleaning	£0.17 per week	£0.17 per week
Lift Maintenance	£0.75 per week	£0.75 per week
Door Entry	£0.67 per week	£0.47 per week
Intercom	£0.71 per week	£0.74 per week
CCTV	£0.90 per week	£0.90 per week
Sewerage Treatment Plants	£345.78 per annum	Based on the Rateable Value (RV) from the Welsh Water Schedule 2020/21
Cesspool Emptying	£340.08 per annum	Based on the Rateable Value (RV) from the Welsh Water Schedule 2020/21

5. All changes to rents and service charges are implemented from 1st April 2020 and that increase notices are sent to tenants 28 days in advance of the new charges coming into effect.

Reasons for Recommendations

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.

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. 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.
- 1.5** The 2020/21 Policy for Social Housing Rents issued by WG on 18th December 2019, includes the 2020/21 rent bands and the maximum allowable uplift which has been set at CPI (as at September 2019) plus 1%, that is 2.7%.
- 1.6** The initial HRA budget proposals were considered by Cabinet on the 18th November 2019 (minute no. C140). They were subsequently referred to the Homes and Safe Communities Scrutiny Committee on 10th December 2019, who noted the proposals as did Corporate Performance and Resources Scrutiny Committee on 19th December 2019.

2. Key Issues for Consideration

Base Budget 2020/21

- 2.1** The Budget Strategy for 2020/21 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 2020/21 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 28 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: -

2019/20	Pay	Committed	Dwelling & Non	Increase /	2020/21
Original	Inflation	Growth /	Dwelling Rent	(Decrease) in	Proposed
Budget		(Savings)	Increase	CERA	Budget
£000	£000	£000	£000	£000	£000
(21)	58	581	(454)	(181)	(17)

2.5 Pay inflation of £58k relates to the pay awards for 2020/21. However, at the time of writing the pay award has not yet been agreed by Council.

2.6 The net growth of £581k is due to a number of factors;

- An increase in Capital Financing charges of £357k in relation to unsupported borrowing being taken out in 2020/21 to fund the Housing Improvement Programme.
- A decrease in staff costs for increments and staff changes of £20k. One post is no longer being funded by HRA.
- A decrease in Employee costs of £19k
- An increase in Departmental support recharge of £62k
- An increase in Premises costs of £35k largely due to increases in the security measures in the Hostel and utility costs.
- An increase in the provision for bad and doubtful debts of £640k due to the roll-out of Universal Credit.
- A decrease in Supplies & Services of £52k, of which £23k saving relates to Homes4U advertising.
- A decrease in Transfer to reserves of £3k.
- A decrease in Transport of £4k.
- An increase in Income £119k.
- An increase in Central Support of £207k.
- A decrease in Repairs cost of £500k.
- An overall increase in Charges for Services and Facilities of £3k.

2.7 A decrease in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £181k 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 £890k as at 31st March 2021, which is broadly in line with the Housing Business Plan.

Proposed Increase in Rents

2.8 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 2020/21. In addition, the maximum amount a social landlord can increase an individual tenant's weekly rent is CPI plus 1% (2.7%).

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 is due to be issued by Welsh Government at the end of January 2020.

2.10 A rent increase of CPI plus 1% (2.7%) 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 2.7% which is 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 2019/20 based on actual stock level*	Proposed Average Rent Incr (+) / Decr (-)	Proposed Average Rent for 2020/21
	(Based on 50 Chargeable Weeks)	(Based on 50 Chargeable Weeks)	(Based on 50 Chargeable Weeks)
Bungalow	£101.35 per week	+ £2.74 per week	£104.09 per week
Flat	£88.51 per week	+ £2.39 per week	£90.90 per week
House	£110.27 per week	+ £2.98 per week	£113.25 per week
Maisonette	£96.72 per week	+ £2.61 per week	£99.33 per week
TOTAL *	£101.07 per week	+ £2.71 per week	£103.78 per week

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

Proposed Increases in Other Charges

2.11 Garage Rents - The rent of freestanding garages is currently £8.12 per week. It is proposed that rents for all garages are increased by 2.7% to £8.34 per week. This percentage increase is in line with the rent increase.

2.12 Ty lolo Hostel - The current charge for persons accommodated is £180.87 per week. It is proposed that the weekly rent charge is increased by a maximum of 2.7% per week to £185.75 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 £588.32. It is proposed that the charge be increased by a maximum of 2.7%, in line with the recommended increase for the Hostel. The weekly charge will therefore be £604.20 per week.
- 2.14** Temporary Accommodation - The average current weekly charge including additional management, utility and service charge costs is £178.98. It is proposed that the rent element be increased by a maximum of 2.7%. The total charge including service charges will therefore be £183.47 per week.
- 2.15** Sheltered Housing Guest Suites - It is proposed that the charges for guest room facilities are increased by 2.7% to £13.97 per person per night for double occupancy and £19.96 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 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 £2.18 per week (payable by the tenant) respectively.
- 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 £6.83 per week to £6.66 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 £10.14 per week to £10.71 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 £2.45 per week to £2.49 per week based on the estimated costs for 2020/21.
- 2.21** Lighting of Communal Areas – The cost of providing lighting has decreased. It is proposed that the charge be decreased from £1.21 per week to £1.15 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 remained the same. It is proposed that there is no change to the charge of £0.75 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 £345.78 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 2020/21 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 £6.54 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 2020/21 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 26th February 2020.

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 2020 is £873k and is projected to be £890k on 1st April 2021.

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 – January 2020

Welsh Government's Policy for Social Housing Rents

HOUSING REVENUE ACCOUNT			
Projected Income and Expenditure			
2019/20 ORIGINAL BUDGET £000	2019/20 AMENDED BUDGET £000		2020/21 FINAL PROPOSED BUDGET £000
		Expenditure	
4,484	3,635	Supervision & Management - General	4,249
1,330	1,300	Supervision & Management - Special	1,320
4,043	3,843	Repairs & Maintenance	3,543
4,590	4,448	Capital Financing Costs	4,938
215	179	Rent, Rates, Taxes & Other Charges	199
594	264	Increase in Provision for Bad Debts	1,234
5,846	8,816	Capital Expenditure from Revenue Account (CERA)	5,674
21,102	22,485		21,157
		Income	
(19,837)	(19,595)	Dwelling Rents	(20,065)
(339)	(169)	Non Dwelling Rents	(174)
(10)	(13)	Interest	(10)
(491)	(480)	Charges For Services and Facilities	(489)
(312)	(299)	Contribution towards expenditure	(303)
(134)	(134)	Grant Income	(133)
(21,123)	(20,690)		(21,174)
(21)	1,795	(Surplus)/ deficit for the year	(17)

HOUSING REVENUE ACCOUNT			
Projected Movement on Reserve			
2019/20 ORIGINAL BUDGET £000	2019/20 AMENDED BUDGET £000		2020/21 INITIAL PROPOSED BUDGET £000
(852)	(2,668)	Balance Brought Forward as at 1st April (Surplus)/Deficit	(873)
(873)	(873)	Balance Carried Forward as at 31st March (Surplus)/Deficit	(890)