

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET REPORT 12th February 2019

REPORT AUTHOR: County Councillor James Evans
Portfolio Holder for Corporate Governance, Housing & Public Protection

SUBJECT: Housing Revenue Account Rent and Related Charges Increase for 2019/20

REPORT FOR: Decision

1. Summary

1.1. This report sets out the proposed increase for Council Housing Rents, Garage Rents and all property and tenancy related service charges.

2. Proposal

2.1. The Housing Revenue Account (HRA) is made up of income from rents and other housing related charges. This income is used to fund all HRA landlord related services including salaries, central service recharges and all services delivered to our tenants. It also underpins our ability to deliver a balanced and sustainable HRA Business Plan through financing the borrowing we draw down to invest in our stock and develop new homes.

2.2. A major part of our Business Plan is the projected future rental income over a 30-year cycle. If rents are not increased annually our 30-year business plan will not be affordable, we will not be able to meet our investment commitments, nor will we be able to continue to provide high quality services to tenants and leaseholders. In addition, the Welsh Government will not sign off the HRA Business Plan and as a consequence the council will not receive Major Repairs Allowance (worth £3.7 million in capital funding each year).

2.3. Welsh Government set target rent bands to ensure that local authorities and housing associations set reasonable rents. They set both a target rent band for each authority and housing association and a guideline rent increase. The Welsh Government have since 2012 applied a rent increase policy for all social landlords of rent increases of CPI + 1.5%. It should be noted that this policy has been discontinued and the guideline rent increase for social landlords in Wales for 2019/20 is CPI only.

2.4. Powys County Council HRA rents have slipped below the target rent band set by Welsh Government despite increasing HRA rents by more than the guideline rent increase for the last two financial years. This is shown in Appendix 1. Powys was previously one of only two Welsh local authorities whose rents fell within the target rent band. This is due to the inputs used by the Welsh Government in its rents modelling. The Welsh Government is currently undertaking a review of its rent setting policy in the social rented sector and the outcome will apply in future years.

- 2.5. In order to maintain a sustainable business plan it is imperative that we close the gap between the target rent and the actual rent. Despite the council increasing rents by more than the guideline rent figure each year for the last two years, the council's HRA rents have fallen outside of the target rent band for each of the last 3 years. This year the council's rents are £1.30 below the target rent band.
- 2.6. Welsh Government guideline rent increase for 2019/20 allows for a maximum increase of current rent plus CPI (2.4% in September 2018) plus up to an additional £2 each week for local authority landlords whose rents are below the target rent band.
- 2.7. In February 2017, at the same time as Cabinet agreed to the annual rent increase for HRA rents and other charges, it also agreed a new rent setting policy, which has the effect of charging more for larger properties, to more closely replicate rent differentials in the private sector. This established target rents for some larger properties which would not be achieved in year 1, due to the limit the Welsh Government introduced on rent increases, and it was accepted that these increases would be phased in over a period of time for existing tenants.
- 2.8. It is therefore proposed that with effect from April 2019 the average rent in Powys will increase by 2.4% + £1.30. The effect of this is that rent increase for:
- 3518 homes the increase is greater than 2.4% but less than 2.4% + £1.30 per week
 - 174 homes the increase is greater than 2.4% + £1.30 but less than 2.4% + £2.00 per week
 - 1608 homes the increase will be 2.4% plus £2.00 a week.

Properties experiencing the largest rent increases are larger homes.

- 2.9. If the Council adopts the rent increase set out in paragraph 2.8, this will leave the average HRA rent at the lower end of the target rent band for Powys. Table 1 below shows the average rent in 2018-19 and 2019-20 and also shows the rent of the property which will experience the greatest increase. It should be noted that the figures above show rents over a 52 week rent years and it should be borne in mind that in Powys rents are charged over a 48 week rent year (with 2 rent free weeks at Christmas and 2 rent free weeks at Easter).

Table 1. HRA rents in 2018-19 and proposed for 2019-20

	Existing rent in 2018-19	Proposed rent for 2019-20	Weekly increase
Average HRA rent	£85.26	£89.51	£4.25
Maximum HRA rent	£103.62	£107.94	£4.32

- 2.10. Service charges will also be amended from April 2019. The service charges levied in 2018-19 are shown alongside the proposed charges for 2018-19 in table 2. It should be noted that service charges vary from year to year, dependent on the costs to the service of providing those services in the previous full year.

Table 2. Service charges in 2018-19 and proposed for 2019-20

Service	Highest Weekly Charge		Lowest Weekly Charge where a charge is levied		How Calculated
	2018/19	2019/20	2018/19	2019/20	

Grounds maintenance	£1.77	£1.58	£0.04	£0.04	Calculated on a site by site basis, based on actual meterage and the cost of the contract.
Communal cleaning	£1.31	1.38	£1.31	£1.38	Based on the global cost of the contract divided by all recipients of the service.
Communal lighting	£0.57	£0.56	£0.57	£0.56	Based on the cost of the service globally divided by all recipients.
Fire safety work	£1.09	£1.74	£0.02	£0.12	Based on actual costs per block and divided by all residents of the block.
TV aerials	£0.04	£0.16	£0.01	£0.16	Based on the costs associated with each aerial and divided by all potential recipients.
Repairs to entrance doors	£0.91	£1.04	£0.05	£0.01	Based on actual costs per block and divided by all residents of the block.
Communal washing lines	£0.35	£0.44	£0.03	£0.26	Based on actual costs per block and divided by all residents of the block.
Sewerage treatment	£5.67	£6.33	£5.67	£6.33	Based on the cost of the service globally divided by all recipients
Lift maintenance	£1.10	£2.22	£1.10	£1.62	Costs split equally between all tenants (for repairs/servicing)
Repairs to communal areas in flats	£0.04	£2.45	£0.04	£0.01	Costs per block divided between all residents of the block
Admin	£0.44	£0.43	£0.44	£0.43	Based on cost of the service globally divided by all recipients
Window Cleaning		£1.25		£1.25	Based on the estimated cost of providing the service, divided equally between all residents

- 2.11. For the majority of service charges, the calculation of the charge is based on the previous whole year – therefore the charge for door entry repairs for 2019-20 is based on the cost of providing the service in 2018-19. The service charge for lift maintenance (Maes yr Ysgol in Llanidloes and Pen y Coed in Llandrindod Wells), is based on the cost of the service agreement with the approved contractor, plus the cost of any repairs undertaken in the previous financial year. For Pen y Coed this is entirely based on the cost of the service agreement in 2019-20.
- 2.12. It should be noted that the service charge for window cleaning for Pen y Coed is based on the estimated cost of the service charge. Where the actual costs are less than the estimated costs, residents will receive a credit which will be deducted from the proposed charge in 2020-2021.
- 2.13. It was intended that in 2019-20 we would seek to increase the charge for a community alarm in an HRA older persons' property which is currently £1.10 a week, following a review and consultation with affected service users. However, due to resource constraints this review has not been undertaken and it is intended that the review will be completed during 2019-20 and the increase in the charge for

community alarms will apply from April 2020. Therefore, it is proposed that the weekly cost of a community alarm will remain unchanged.

- 2.14. Table 3 below show the current rents for the 1,846 HRA garages in Powys and the proposed rent for 2019-20. It also shows the current and proposed rents for the 160 garage plots owned by the HRA. Garage and garage plots are not always rented by housing tenants of the Council. Moreover, due to the increases in the size of cars since the provision was originally made, they are not used to help alleviate on-street parking and so have a limited benefit to the wider community. Garages and garage plots are increasingly rented as an alternative to commercial provision for car parking and general storage. It is therefore proposed that HRA garage rents in Powys are increased by 2.4%+£1.00 per week, and garage plots by £13.09 per annum. This will help to align rents more closely with commercial provision and to support the funding of a new approach to garage provision, which will reshape the Council's role in the garage market to better meet current demands and community needs.

Table 3. Garage rents and rents for garage plots in 2018-19 and proposed for 2019-20

	Existing rent in 2018-19	Proposed rent for 2019-20
Garage rents	£7.42 per week	£8.60 per week
Rent for garage plots	£108.37 per annum	£121.46 per annum

- 2.15. It is proposed that charges for Gypsy and Traveller sites will be increased by 2.4% + £1.30. Table 4 below shows the existing charge for occupation of a plot on the Gypsy and Traveller sites in the current year and the proposed charge for 2019-20 and also shows service charges levied on plots in 2018-19 and the proposed service charge for 2019-20.

Table 4. Gypsy & Traveller site weekly occupation charge and service charges in 2018-19 and proposed for 2019-20

	2018-19	2019-20
Weekly occupation charge for plots on Gypsy & Traveller sites	£97.40	£101.04
Weekly service charge associated with Gypsy & Traveller sites	Grass £0.68 (South only) Sewerage £5.23	Grass £0.61(South only) Sewerage £5.85

- 2.15 It is proposed that the weekly charge for the occupation of temporary accommodation, provided to households to whom the authority owes a statutory duty remains unchanged in 2019-20. Table 5 shows the current weekly charge for the occupation of temporary homeless accommodation managed by the council. Members are asked to note that charges for temporary accommodation have not been increased since 2017, because any increase in charges will have an adverse impact on the subsidy that the council is able to claim from the Department of Work and Pensions (DWP). The Housing Service is currently undertaking a review of how it can most efficiently and effectively provide temporary accommodation and will revise charges for temporary accommodation when the review is complete.

Table 5. Temporary homelessness accommodation weekly occupation charge in 2019-2020

Weekly occupation charge by household type	Rent including Council Tax (2019-20)	Service charge (2019-20)	Weekly total occupancy charge (2019-20)
Single person	£101.73	£15.77	£117.50
Couple	£124.00	£19.58	£143.58
Family	£147.93	£28.15	£176.08

2.16 It is proposed that other rental charges will increase by 2.4% from April 2019.

3. Corporate Improvement Plan

3.1. The rent increase will enable the Housing Service to continue to be viable, allowing it, through its wide reach across many service areas, to support all aspects of the Corporate Improvement Plan.

4. Options Considered/Available

4.1. The Cabinet could consider higher or lower rent increases. However, higher rents would start to challenge affordability and lower rents would put our WHQS and longer term investment plans at risk leading to poorer services in the future. Also, lower rent increases would start to bring the council increasingly out of line with Welsh Government target rents.

5. Preferred Choice and Reasons

5.1. It is recommended that Cabinet support the proposed charges set out in Tables 1 to 5 and that all other housing related charges are increased by 2.4%, with the exception of charges for community alarms which will remain unchanged.

5.2. This level allows us to meet all of the Housing Services financial commitments, it allows for a robust Business Plan and maintains Powys' position within the guidelines rents.

6. Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc

6.1. A financially viable HRA is better able to support policies and improvements in these areas.

7. Children and Young People's Impact Statement - Safeguarding and Wellbeing

7.1. A financially viable HRA is better able to support policies and improvements in these areas.

8. Local Member(s)

8.1. This matter has equal effect across the Council

9. Other Front Line Services

9.1. A properly financed Housing Service is better able to support these services.

10. Support Services (Legal, Finance, HR, ICT, BPU)

- 10.1 Finance – At this level of increase, the Finance Business Partner confirms that all of Housing Services’ financial commitments will be met, it allows for a robust Business Plan and maintains Powys’ position within the guideline rents.
- 10.2 Legal – The recommendations can be supported from a legal point of view.

11. Local Service Board/Partnerships/Stakeholders etc

- 11.1. This is a specific Housing Management matter, however, a properly financed Housing Service is better able to support partnerships

12. Communications

- 12.1. We will advise the Tenant Scrutiny Panel of the proposed increase and the council is required to give all existing tenants 28 days’ notice of any increase in rent.

13. Statutory Officers

- 13.1 The Solicitor to the Council (Monitoring Officer) commented as follows: “I note the legal comments and have nothing to add to the report.”
- 13.2 The Head of Financial Services (Deputy S151 Officer) notes the comment from Finance.

14. Members’ Interests

- 14.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest, they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
<p>1. The rent increase for HRA rents in 2019-20, as set out in paragraphs 2.8 and 2.9 are agreed</p> <p>2. The proposed service charge regime for 2019-20, as set out in Table 2 is agreed.</p> <p>3. The proposed HRA garage rent and garage plot rents for 2019-20, as set out in Table 3, is agreed.</p> <p>4. The proposed weekly occupancy charge and service charge for a plot on council run Gypsy & Traveller sites for 2019-20, as set out in Table 4 is agreed.</p> <p>5. The weekly occupancy charge for temporary homelessness accommodation for 2019-20, as set out in Table 5, is agreed.</p>	<p>To maintain a viable Housing Service and Business Plan and remain compliant with legislation (Part IV Housing (Wales) Act 2014)</p>

<p>6. The weekly charge for community alarms is excluded from an increase, pending the outcome of a review.</p> <p>7. Other housing related charges are increased by 2.4% for 2019/20.</p>	
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Relevant Policy (ies):			
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	All Members
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Person(s) To Implement Decision:	Simon Inkson
Date By When Decision To Be Implemented:	March 2018

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Background Papers used to prepare Report: