

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET REPORT 30th January 2018

REPORT AUTHOR: County Councillor Jonathan Wilkinson
Portfolio Holder for Housing & Countryside Services

SUBJECT: Housing Revenue Account Rent and Related Charges
Increase for 2018/19

REPORT FOR: Decision

1. Summary

- 1.1. This report sets out the proposed rent 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 meet the Housing Business Plan, a major element of which is the Welsh Housing Quality Services (WHQS), through financing the borrowing we must draw down to invest in our stock.
- 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 Business Plan.
- 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. Powys' rents have now slipped below the target rent band set by Welsh Government, Powys was previously one of only two Welsh local authorities whose rents fell within the target rent band. In order to maintain a sustainable business plan it is imperative that we close the gap. Despite the council increasing rents by the guideline rent figure each year, the council's HRA rents have fallen outside of the target rent band for each of the last 3 years, with the gap growing each year. This is due to the inputs used by the Welsh Government in its rents modelling and the Welsh Government are currently reviewing the rent model to apply in future years.
- 2.4. Welsh Government guideline rent increase for 2018/19 allows for a maximum increase of current rent plus CPI (3% in September 2017) plus 1.5% for 2018/19 plus £2 weekly.
- 2.5. 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.

- 2.6. Therefore it is proposed that with effect from April 2018 the rent increase for the majority of HRA tenancies (2,119 properties) is 4.5%, that for a further 991 homes the increase is greater than 4.5% but less than 4.5% + £2.00 per week and that for a further 2,232 homes the increase will be 4.5% plus £2.00 a week (6.4%).
- 2.7. If the Council adopts the rent increase set out in paragraph 2.6, this will leave the average HRA rent £2.15 below the target rent band for Powys. Table 1 below shows the average rent in 2017-18 and 2018-19 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 2017-18 and proposed for 2018-19

	Existing rent in 2017-18	Proposed rent for 2018-19	Weekly increase
Average HRA rent	£81.59	£85.26	£3.67 (4.5%)
Maximum HRA rent	£97.38	£103.62	£6.23 (6.4%)

- 2.8. Service charges will also be amended from April 2018. The service charges levied in 2017-18 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. 2018-19 will see the addition of one new service charge, lifts maintenance.

Table 2. Service charges in 2017-18 and proposed for 2018-19

Service	Highest Weekly Charge		Lowest Weekly Charge where a charge is levied		How Calculated
	2017/18	2018/19	2017/18	2018/19	
Grounds maintenance	£1.33	£1.77	£0.04	£0.04	Calculated on a site by site basis, based on actual meterage and the cost of the contract.
Communal cleaning	£1.20	£1.31	£1.20	£1.31	Based on the global cost of the contract divided by all recipients of the service.
Communal heating and lighting	£0.73	£0.57	£0.73	£0.57	Based on the cost of the service globally divided by all recipients.
Fire safety work	£1.66	£1.09	£0.08	£0.02	Based on actual costs per block and divided by all residents of the block.
TV aerials	£0.17	£0.04	£0.04	£0.01	Based on the costs associated with each aerial and divided by all potential recipients.
Repairs to entrance doors	£1.84	£0.91	£0.06	£0.05	Based on actual costs per block and divided by all residents of the block.

Communal washing lines	£0.26	£0.35	£0.03	£0.03	Based on actual costs per block and divided by all residents of the block.
Sewerage treatment	£4.62	£5.67	£4.62	£5.67	Based on the cost of the service globally divided by all recipients
Lift maintenance		£1.10		£1.10	Costs split equally between all tenants (for servicing)
Repairs to communal areas in flats	£0.40	£0.04	£0.02	£0.04	Costs per block divided between all residents of the block

- 2.9. For the majority of service charges, the calculation of the service charge is based on the previous whole year – therefore the charge for door entry repairs for 2017-18 is based on the cost of providing the service in 2016-17. It is proposed that the service charge for lift maintenance for the only block of flats which benefits from a through floor vertical lift (Maes yr Ysgol in Llanidloes), is based on the annual anticipated cost of the service agreement with the approved contractor. In future years it will be based upon the cost of the service agreement with the approved contractor plus the cost of any repairs undertaken in the previous financial year.
- 2.10. In 2019-20 we will seek to increase the charge for a community alarm in an HRA older persons' property which is currently £1.10 a week. This charge has remained unchanged since 2005, when it was reduced from £1.14 a week. The full cost of providing the service in 2018-19 is £1.84 per week. However, it should be noted that older people who rely on Housing Benefit to cover the cost of their rent have this charge paid for by a contribution made from Supporting People Programme Grant. It is proposed to end this practice, but during 2018-19 it is proposed that we consult with all affected service users and develop an appropriate charging regime.
- 2.11. Table 3 below show the current rents for the 1,846 HRA garages in Powys and the proposed rent for 2018-19. It also shows the current and proposed rents for the 160 garage plots owned by the HRA. It is proposed that HRA Garage rents in Powys are increased by 4.5% plus 50 pence a week to enable the ongoing funding of the garage improvement strategy and to align Powys County Council Garage rents with the Welsh average. This is the third and final above average increase for garage tenants, and the increase brings their rents into line with the Welsh average, according to research undertaken prior to the rent increase in 2015-16. It is proposed that HRA garage plot rents will be increased by 4.5%.

Table 3. Garage rents and rents for garage plots in 2017-18 and proposed for 2018-19

	Existing rent in 2017-18	Proposed rent for 2018-19
Garage rents	£6.62 per week	£7.42 per week
Rent for garage plots	£103.70 per annum	£108.37 per annum

- 2.12. It is proposed that charges for Gypsy and Traveller sites will be increased by 4.5%. 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 2018-19 and also shows service charges levied on plots in 2017-18 and the proposed service charge for 2018-19.

Table 4. Gypsy & Traveller site weekly occupation charge and service charges in 2017-18 and proposed for 2018-19

	2017-18	2018-19
Weekly occupation charge for plots on Gypsy & Traveller sites	£93.21	£97.40
Weekly service charge associated with Gypsy & Traveller sites	Grass - £0 Sewerage - £4.62	Grass £0.68 (South only) Sewerage £5.23

- 2.13. It is proposed that the weekly charge for the occupation of temporary accommodation, provided to households to whom the authority owes a statutory duty will not increase at the start of 2018-19. Table 5 shows the current weekly charge for the occupation of temporary homeless accommodation managed by the council. The Housing Service is currently undertaking a Homelessness Review, which contains temporary accommodation occupancy charges within its scope and proposals to either increase or decrease the occupancy charges will be based upon recommendations arising from the review.

Table 5. Temporary homelessness accommodation weekly occupation charge in 2017-18

Weekly occupation charge for temporary homeless accommodation	Rent including Council Tax	Service charge	Weekly total occupancy charge
Single person	£101.73	£15.77	£117.50
Couple	£124.00	£19.58	£143.58
Family	£147.93	£28.15	£261.08

- 2.14. It is proposed that other rental charges will increase by 4.5% from April 2017.

3. One Powys 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 Powys One 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 4.5%, with the exception of occupancy charges in temporary accommodation.

- 5.2. This level allows us to meet all of the Housing teams 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 properly financed Housing Service is better able to support these policies.

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

- 7.1. A properly financed Housing Service is better able to support these policies.

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 – the Finance Business Partner notes the content of the report and can confirm Welsh Government set target rent bands. They set both a target rent band for each authority and housing association and a guideline rent increase. This allows for a maximum increase of current rent plus CPI (3% in September 2017) plus 1.5% for 2018/19 plus £2 weekly. Powys' rents have now slipped below the target rent band set by Welsh Government, previously one of only two Welsh local authorities whose rents fell within the target rent band.

A new rent setting policy was agreed in 2017 i.e. charging more for larger properties, in line with the private sector, the established rents could not be achieved in year 1 due to the WG limit, this was to be phased in over time. In 2018/19 it is proposed that the rent increase for the majority of HRA tenancies (2,119 properties) is 4.5%, that for a further 991 homes the increase is greater than 4.5% but less than 4.5% + £2.00 per week and that for a further 2,232 homes the increase will be 4.5% plus £2.00 a week (6.4%). The average HRA rent will be £2.15 below the target rent.

Also proposed

- Service charges from April 2018, which will vary from year to year, dependent on the actual cost of providing the service in the previous full year, 2016/17, additional cost for lift maintenance in 2018/19.
- Community alarms to remain at £1.10 per week for service to be reviewed and service users consulted.
- HRA Garage rents in Powys are increased by 4.5% plus 50 pence a week to enable the ongoing funding of the garage improvement strategy and to align

Powys County Council Garage rents with the Welsh average. This is the third and final above average increase, but now in line with the Welsh average.

- HRA Garage plot rents will be increased by 4.5%.
- Charges for Gypsy and Traveller sites will be increased by 4.5%.
- Weekly charges for temporary accommodation, provided as a statutory duty will not increase at the start of 2018/19 but will be informed following a Homelessness review.
- Any other rental charges increase by 4.5%.

These increases to housing rents and other related charges will enable Powys County Council to meet all the commitments of the Housing 30 year Business Plan, continue to provide high quality services and support the investment in the stock under Welsh Housing Quality Standards (WHQS).

10.2 Legal - The Professional Lead-Legal notes and supports the recommendations in this report and the level of increase for the reasons given.

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 consult with the Tenant Liaison Forum and we are 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) has commented as follows: "I note the legal comment and have nothing to add to the report".

13.2 The Head of Financial Services (Acting S151 Officer) notes the comments of the Finance Business Partner.

14. Members' Interests

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 2018-19, as set out in paragraph 2.6 is agreed 2. The proposed service charge regime for 2018-19, as set out in Table 2 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>3. The proposed HRA garage rent and garage plot rents for 2018-19, 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 2018-19, as set out in Table 4 is agreed.</p> <p>5. The weekly occupancy charge for temporary homelessness accommodation remains at its current level, until the conclusion of the Homelessness Review.</p> <p>4. Other housing related charges are increased by 4.5% for 2018/19.</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

Contact Officer Name:	Tel:	Fax:	Email:
Simon Inkson	01874 826631		simon.inkson@powys.gov.uk

Background Papers used to prepare Report: