

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

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REPORT TITLE: Housing Revenue Account Rent and Related Charges
Changes for 2020-21

REPORT FOR: Decision

1. Purpose

- 1.1. This report sets out a series of recommended changes for Council Housing Rents, Garage Rents and all property and tenancy related Service Charges, for the financial year 2020-21.
- 1.2. A separate report setting out the detail of Housing Revenue Account (HRA) Thirty Year Business Plan recommended for the period beginning in April 2020 and reflecting the decisions taken in respect of the recommendations made in this report, will be presented separately to Cabinet.

2. Background

- 2.1 The 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 the Council's tenants. It also underpins the Council's ability to deliver a balanced and sustainable HRA Business Plan through financing the borrowing needed to invest in maintaining existing and developing new homes.
- 2.2 An important element of the HRA Business Plan is the projected future rental income over a thirty year cycle. Rents need to be increased annually to make sure that the Business Plan, which like any business faces cost increases that are some cases beyond its control remains sustainable. If the Business Plan does not generate enough income to meet its commitments, which include maintaining all homes to the Welsh Housing Quality Standard (WHQS) and improving thermal efficiency of Powys council housing as well as providing new homes to meet growing housing needs not fulfilled by open market housing, it will not be viable. The Welsh Government will not approve a non-viable HRA Business Plan and as a consequence the Council will not receive

the Major Repairs Allowance (MRA), worth £3.63 million in capital funding each year, to support ongoing investment.

- 2.3 This report sets out the changes in rents and other charges that accrue to the HRA that will need to be introduced for 2020-21, to make sure the HRA Business Plan remains both sustainable and viable.
- 2.4 The recommendations take into account compliance with the Welsh Government's Policy for Social Housing Rents (Rent Policy). The Welsh Government's Rent Policy for 2020-2021 is described below
- An annual rent uplift of up to CPI+1%, each year for five years from 2020-21 to 2024-25 using the level of CPI from the previous September each year. For September 2019 this was 1.7%. The five year rent policy is being introduced to provide certainty and stability for tenants and landlords.
 - CPI+1% will be the maximum increase allowable in any one year. However, the Welsh Government notes that CPI+1% must not be regarded as an automatic uplift. Any decisions on changes to rent should take into account the affordability of rents for tenants. All social landlords in Wales, as part of any decision on increasing rents, will be required to prepare an annual assessment of affordability, cost efficiencies and be able to demonstrate that their homes and services represent value for money.
 - The level of rents for individual tenants can be reduced or frozen or can rise by up to an additional £2 over and above CPI+1%, on condition that the total rental income collected by a social landlord increases by no more than CPI+1%. This provision is designed to allow social landlords to restructure rents within their overall stock and within the overall rent increase envelope of CPI+1%, where necessary, to align rents with property types.
 - When setting rents, the Council is expected to take into account affordability for tenants of the whole cost of living in a property including, for example, rent, service charges and energy costs.

3. Advice

- 3.1. The Council, like all social landlords working in Wales, will be required to justify its rent increases via a robust annual assessment on cost efficiencies and which puts affordability for tenants at the core of its considerations. At the same time, the Welsh Government recognises that not enough homes are being built, with particular concerns about the wider impacts arising from the shortage of social housing. There is therefore a need to strike a balance between affordability and allowing the Council to contribute towards increasing the supply of affordable, energy efficient and well maintained homes.

3.2 Rents

- 3.2.1 The Council's HRA Business Plan has been stress tested to see what changes in rents and services charges need to be made to allow it to remain viable and able to increase the number of affordable homes available across Powys. The conclusion is that a rent increase of CPI+1%, equivalent to 2.7%, is necessary to make sure that the Housing Services is sustainable and able to provide homes and services for both current and future tenants. Such an increase allows rents to remain affordable and so does not contribute excessively to any increase in the cost of living for the Council's tenants.
- 3.2.2 Such an increase will still leave Powys rents below the target rent band previously set by the Welsh Government for social landlords, one of only five out of a total of eleven local authority and thirty six housing associations landlords in such a position. Powys rents will be 0.9% below the target rent band.
- 3.2.3 It is therefore recommended that with effect from April 2020 the average rent in Powys will increase by 2.7% (£2.42 per week) for all 5375 Council owned homes. This is considerably lower than last year's average increase of £4.25 per week. Table One below shows the average rent in 2019-2020 and 2020-21 and also shows the rent of the properties which will experience the greatest increase. It should be noted that the figures show rents over a 52 week rent year. In Powys rents are charged over a 48 week rent year with two 'rent free weeks' at Christmas and two 'rent free weeks' at Easter.

Table One: HRA Rents for 2019-20 and 2020-21

	Current Rent - 2019-2020	Recommended Rent - 2020-2021	Weekly Increase
Average HRA rent	£89.67	£92.08	£2.42
Maximum HRA rent	£189.12	£194.23	£5.11

- 3.2.4 The total rental income to the HRA from housing rents, if the recommendation is approved, will increase from £25,062,765 in 2019-20 to £25,736,360 in 2020-21. This represents gross income before any allowance is made for void rent loss arrears of rent. If the recommendation is not approved, then taking into account inflation¹ and other unavoidable cost increases faced by the landlord service, it will be necessary to reduce the level of services provided, including investment in the Council's housing assets.

3.3 Service Charges

¹ The annual rate of inflation for all construction work was 3.0% in September 2019, the latest date for which figures have been published by the Office of National Statistics.

3.3.1 Service charges will need to be amended from April 2020 to allow the Council to recover the cost of providing these services. The service charges levied in 2019-20 are shown alongside the proposed charges for 2020-21 in Table Two. 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 Two: Service Charges for 2019-20 and 2020-21

Service Charge	Highest Weekly Service Charge		Lowest Weekly Service Charge (where a charge is made)		How the Service Charge is Calculated
	2019-2020	2020-2021	2019-2020	2020-2021	
Grounds maintenance	£1.58	£1.59	£0.04	£0.04	Calculated on a site-by-site basis, based on the size of the site and the cost of undertaking the work
Communal cleaning	£1.38	£1.61	£1.38	£1.61	Based on the total cost of the work, divided by all those who receive the service.
Communal heating and lighting	£0.56	£0.91	£0.56	£0.91	Based on the total cost of the service, divided by all those who receive the service.
Fire safety work	£1.74	£1.74	£0.12	£0.12	Based on actual costs per block and divided by all residents of the block.
TV aerials	£0.16	No cost as of 21.1.2020	£0.16	No cost as of 21.1.2020	Based on the costs associated with each aerial and divided by all potential users of the aerial system.
Repairs to entrance doors	£1.04	TBA	£0.01	TBA	Based on actual costs per block and divided by all residents of the block.
Communal washing lines	£0.44	£0.44	£0.26	£0.26	Based on actual costs per block and divided by all residents of the block.
Sewerage treatment	£6.33	£5.65	£6.33	£5.65	Based on the total cost of the work, divided by all those who receive the

					service.
Lift maintenance	£1.50		£0.75		Costs split equally between all tenants (for servicing)
Repairs to communal areas in flats	£2.45	£2.45	£0.01	£0.01	Costs per block divided between all residents of the block

3.3.2 For the majority of service charges, the calculation of the charge is based on the costs incurred in the previous full year. 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 cost of the service agreement with the contractor, plus the cost of any repairs undertaken in the previous financial year.

3.4 Careline Community Alarm Service

3.4.1 Current policy dictates that should a property be designated as being one particularly suitable for older people, the tenancy agreement would include the tenant receiving the full Careline service. The tenant has no choice but to pay the charge, currently £1.10 per week. The charge does not reflect the full cost of providing the service which is £1.66 per week. The cost for tenants is cross subsidised by the wider HRA. Customers who live in privately owned accommodation currently pay £3.62 per week.

3.4.2 During 2019-2020, a review has looked at the future of the Careline service for tenants of the Council. The review was prompted by the need to replace the current equipment, which is of an age that it is beyond economical maintenance and repair. The review has shown that while there is continued demand for the service, people would like to be able to opt out if they feel they would not benefit from the service. The HRA Business Plan for 2020-2021 includes a one off provision of £600,000 for the necessary capital investment to replace the Careline equipment with up to date kit that will be more reliable, less costly to maintain and able to offer a greater range of services.

3.4.3 It is therefore recommended that as the new equipment is introduced during 2020-2021, the decision to take the Careline Service will rest with the tenant and it will no longer be mandatory for tenants of designated properties. This will allow greater customer choice. At the same time, Careline will be available to all tenants who would like to pay for such a service. This may include people who are vulnerable for reasons other than age and who would benefit from having 24/7 access to the Careline Service.

3.4.4 To recover the cost of the introduction of new, higher quality equipment, it will be necessary to reconsider the charges made for Careline. As part of the Council's Rent Policy for 2019-2020, it was agreed that any increase to the cost of the Careline service would be

introduced in April 2021. This will allow revised charge to reflect the outcome of the review conducted during 2019-2020 and the actual cost of installing the new equipment. It is therefore recommended that the charge for Careline in 2020-2021 remains at £1.10 per week.

Table Three: Careline Community Alarm Charges for 2019-2020 and 2020-2021

	Current Charge - 2019-2020	Recommended Charge - 2020-2021	Weekly Increase
Careline Community Alarm Charge	£1.10	£1.10	£0.00

3.5 Garages

- 3.5.1 Garage and garage plots, although considered to be part of the HRA, are not always rented by housing tenants of the Council. The Welsh Government is currently considering whether or not garages that are not rented by housing tenants should remain within the ambit of the HRA. Until such time as a definitive requirement to amend the way in which local authorities account for garages, no change is proposed for the accounting practice currently used to manage the Powys garage estate.
- 3.5.2 During 2019-2020, a review has been undertaken of all the garage sites and plots owned by the Council. Due to the increases in the size of cars since the provision was originally made, the current garages are not always 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 general storage. The review has therefore taken into account the demand for the garages for car parking, the condition of the garages, the suitability of the garages for automotive storage and the options for other uses for the sites, for example the development of new homes. Income from garages currently accounts for £564,565 per annum but expenditure on repairs and maintenance, and replacement of garages, has historically been extremely low. The Council has been ‘sweating’ a deteriorating asset. For garage sites to continue to provide a positive income, investment in either maintenance or new build will be necessary in those sites that are to be retained.
- 3.5.3 Table Four below show the current rents for the 1,404 HRA garages in 2019-20 in Powys and the proposed rent for 2020-21. It also shows the current and proposed rents for the 160 garage plots owned by the HRA. It is recommended that HRA garage rents in Powys are increased by 3.00%+£1.00 per week, and garage plots by £17.50 per annum. This will help to align rents more closely with commercial provision and to support the funding of the 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 Four: Garage and Garage Plot Rents for 2019-20 and 2020-21

	Existing Rent - 2019-20	Recommended Rent - 2020-21
Garage Rents	£8.60	£9.86
Rent for Garage Plots	£121.46	£138.96

3.5.4 The total rental income to the HRA from the provision of garages, if the recommendation is approved, will increase from £564,565 in 2019-20 to £664,350 in 2020-21.

3.6 Gypsy and Traveller Sites

3.6.1 The Council currently operates two Gypsy and Traveller Sites in Powys – Leighton Arches in Welshpool and Kings Meadow in Brecon. A third is planned for Machynlleth. These are managed by the Housing Service although the costs of providing this service falls not on the HRA but on the General Fund. Service charges for the sites currently cover grass cutting for the Kings Meadow Site and sewerage for both sites.

3.6.2 It is recommended that weekly occupation charges for Gypsy and Traveller sites in 2020-2021 will be increased by 2.7%, in line with the increase in HRA rents. Table Five below shows the existing charge for occupation of a plot on the Gypsy and Traveller sites, and associated service charges, in the current year and the recommended charge for 2020-21.

Table Five: Gypsy & Traveller Site Weekly Occupation Charge and Service Charges for 2019-20 and 2020-21

	2019-2020	2020-21
Weekly Occupation Charge for plots on Gypsy & Traveller sites	£101.04	£104.24
Grass Cutting Service Charge (Kings Meadow site only)	£0.61	£0.61
Sewerage Service Charge	£5.85	£5.21

3.6.4 The total income to the General Fund from the Council's gypsy and traveller sites, if the recommendation is approved, will increase from £133,843 in 2019-20 to £136,449 in 2020-21.

3.7 Temporary Accommodation for Homeless Households

3.7.1 It is recommended that the weekly charge for the occupation of temporary accommodation, provided to households to whom the authority owes a statutory duty is increased by 2.7% in 2020-2021. It should be noted that the scope for setting charges for temporary

accommodation is influenced by the need to recognise the often low incomes of those who are homeless, the restrictions the social security system places on the amount of help homeless people can claim for accommodation and the capacity of the General Fund to meet the costs for those who are unable to make full payments from their own resources. The increase recommended represents a pragmatic compromise between these external factors. Table Six shows the current and proposed weekly charge for the occupation of temporary homeless accommodation managed by the council.

Table Six. Temporary Homelessness Accommodation Weekly Occupation Charges for 2019-2020 and 2020-2021

Weekly occupation charge for temporary homeless accommodation	Rent including Council Tax		Service charge		Weekly total occupancy charge	
	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021
Single person	£101.73	£104.48	£15.77	£16.96	£117.50	£121.44
Couple	£124.00	£127.35	£19.58	£20.11	£143.58	£147.46
Family	£147.93	£151.92	£28.15	£28.91	£176.08	£180.83

3.8 Other Rental Charges

3.8.1 The HRA collects rent from other services and properties, albeit on a small scale. These include such things as scooter stores and sheds. It is recommended that all other rental charges, not detailed above, will increase by 2.7% from April 2020.

4. Resource Implications

4.1 Financial

4.1.1 The recommended increases to housing rents and other related charges will allow Powys County Council to continue to maintain a viable and sustainable Thirty Year HRA Business Plan, continue to provide high quality services, develop more new social rented homes and support continued investment in its homes to maintain WHQS and improve thermal efficiency.

4.1.2 The Council's Section 151 Officer's notes the content of the report and confirms that the proposals can proceed as they comply with the Welsh Governments Rent Policy for 2020-21 and maintains the viability of the HRA Business Plan.

5. Legal implications

- 5.1 The Council's Monitoring Officer's comments on this report and its recommendations are that the recommendation can, with regard to legal considerations, be supported.

6. Comment from local member(s)

- 6.1 This matter has equal effect across the Council.

7. Integrated Impact Assessment

- 7.1 An Impact Assessment is attached to this report as Appendix A.

8. Recommendation

- 8.1 The recommendations set out in this report are:
- 8.1.1 That with effect from April 2020 the average rent in Powys will increase by 2.7% (£2.42 per week) for all 5375 Council owned homes
 - 8.1.2 That service charges charged to HRA tenants are amended from April 2020 to allow the Council to recover the cost of providing these services during 2019-2020
 - 8.1.3 That the weekly cost for Careline in 2020-2021 is £1.10 per week
 - 8.1.4 That the Careline service is, as part of the installation of new equipment during 2020-2021, no longer considered a mandatory part of the tenancy of a property designated for older people.
 - 8.1.5 That HRA garage rents in Powys for 2020-2021 are increased by 3.00%+£1.00 per week.
 - 8.1.6 That garage plot charges for 2020-2021 increase by £17.50 per annum.
 - 8.1.7 That the weekly occupation charges for Gypsy and Traveller sites in 2020-2021 will be increased by 2.7%.
 - 8.1.8 That all other rental and service charges, not detailed above, will increase by 2.7% from April 2020.

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