

# CYNGOR SIR POWYS COUNTY COUNCIL

## CABINET REPORT 7 February 2017

**REPORT AUTHOR:** County Councillor Rosemarie Harris  
Portfolio Holder for Property, Buildings and Housing

**SUBJECT:** Housing Revenue Account Rent and Related Charges  
Increase for 2017/18

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**REPORT FOR:** Decision

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### 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 Housing 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 sets guideline rents to ensure that Local Authorities set reasonable rents. They set both a target band for each authority and a target rent increase. Powys rents have now slipped below the target rent band set by Welsh Government for Powys. 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.
- 2.4. Welsh Government allows for a maximum increase of current rent plus CPI (1% in September 2016) plus 1.5% for 2017/18 plus £2 weekly.
- 2.5. If the Council only increases rent by 2.5%, that is CPI (1% in September 2016) plus 1.5% this will leave us below the guideline rent. The current average rent is £78.61, the 2.5% increase takes it to £80.58 and the lowest end of the guideline rent is £82.49.
- 2.6. To bring Council rents back to guideline rates Housing will be required to add an average of £1.91 per week to all tenancies on top of the 2.5% increase. That

would give an average weekly rent increase of £3.88 or 4.94% and bring rents in line with only the lowest end of the guideline.

- 2.7. However, it is considered that this level of rent increase is too high for tenants to bare as the increase is around three times the level of inflation and so it is proposed to phase the transition back to guide line rents over two years.  
**Therefore, the proposed rent increase for this year is an average of 2.5% plus £0.96. That is an average increase of £2.93 a week or 3.7%.**
- 2.8. Avoiding raising the rent to the guideline rent in one larger increase this year ensures the continued affordability of rents to tenants but is has a negative impact on income to the Housing Revenue Account. The reduction in income is approximately £250K per annum – on a total annual rent roll of around £20million. The loss of this anticipated income will not affect day to day delivery of services. However, it will curtail a portion of Housing’s capital investment programme as part of the 30 year business plan. This is sustainable in the short term, however, it is important that rents are brought to the guideline rate at the earliest possible opportunity to enable Housing to deliver on its strategy for growth and improvement.
- 2.9. Service charges will also be amended from April 2017, the amended charges are in the table at appendix 1. This year we are adding service charges for sewerage, and the provision of communal lifts.
- 2.10. It is proposed that HRA Garage rents in Powys are increased by 2.5% 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.
- 2.11. It is proposed that HRA Garage plot rents will be increased by 3.7%.
- 2.12. It is proposed that charges for Gypsy and Traveller sites will be increased by 2.5% plus £0.96 from April 2017.
- 2.13. It is proposed that other rental charges will increase by 3.7% 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, higher or lower rent increases would start to bring us out of line with Welsh Government guideline rents and rent increases.

## **5. Preferred Choice and Reasons**

- 5.1. It is recommended that Cabinet support the proposed 2.5% increase to rents and other housing related charges.
- 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 guideline rents, this allows for a maximum increase of current rent plus CPI (1% in September 2016) plus 1.5% for 2017/18 plus £2 weekly. If Powys apply the guidelines to the current average rent then this will put the weekly rate lower than the lowest end of the guideline rent. To bring Council rents back to guideline rates Housing will be required to add an average of £1.91 per week to all tenancies on top of the 2.5% increase. That would give an average weekly rent increase of £3.88 or 4.94% and bring rents in line with only the lowest end of the guideline.

In order to phase the transition back to guideline rents over two years it is proposed that the rent increase for this year is an average of 2.5% plus £0.96. That is an average increase of £2.93 a week or 3.7%. This will have a negative impact on the Housing Revenue Account of approximately £250k in rental income.

Also proposed

- To amend service charges from April 2017, adding service charges for sewerage, and the provision of communal lifts.
- Service Charges will be rolled out to include Gypsy sites.
- HRA Garage rents in Powys are increased by 2.5% 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.
- HRA Garage plot rents will be increased by 3.7%.

- Charges for Gypsy and Traveller sites will be increased by 2.5% plus £0.96 from April 2017. Service Charges also added to Gypsy for the first time
- Rental charges will increase by 3.7% from April 2017.

These increases to housing rents and other related charges will enable Powys County Council to meet all the commitments, 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 has no comment on the proposal to increase rental income in line with WAG guidelines and provided that it is in accordance with the current terms of the tenancy agreements in force.

## **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**

The Solicitor to the Council (Monitoring Officer) has commented as follows: " I note the legal comment and have nothing to add to the report

13.1 The Strategic Director Resources (S151 Officer) notes the comments made by finance and has discussed the implications with the Head of Housing.

## **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.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<p><b>1.The rent increase for HRA accommodation is agreed at an average of 2.5% plus 96p for 2017/18</b></p> <p><b>2.The new Service Charge regime is agreed for 2017/18</b></p> <p><b>3. The HRA garage rent is agreed at 2.5% plus £0.50 weekly for 2017/18.</b></p> <p><b>4. Other rental charges are increased by 3.7% for 2017/18.</b></p>	<p><b>To maintain a viable Housing Service and Business Plan and remain compliant with legislation (part 4 Housing Act 2014)</b></p>

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>Y</b>	<b>Within Budget:</b>	<b>Y</b>

<b>Relevant Local Member(s):</b>	
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<b>Person(s) To Implement Decision:</b>	<b>David Roffey</b>
<b>Date By When Decision To Be Implemented:</b>	<b>March 2017</b>

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
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**Background Papers used to prepare Report:**