

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

February 16th, 2021

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Portfolio Holder for Housing, Planning & Economic
Regeneration

REPORT TITLE: Housing Revenue Account Rent and Related Charges
Changes for 2021-22

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 2021-22.
- 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 2021 and reflecting the decisions taken in respect of the recommendations made in this report, will be presented separately to Cabinet.

1. 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 2021-22, 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 2021-2022 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 2020 CPI was 0.5%. The five-year rent policy was 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 the HRA as a whole 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.

2. Advice

- 3.1. The Council, like all social landlords working in Wales, is expected to be able to justify its rent increases with reference to a rigorous approach to securing cost efficiencies and by putting 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 1.5%, 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 The Welsh Government has not this year provided details of the target rents for social landlords. It is therefore not possible to reliably assess the status of Powys rents against the target rent. However, current rents for 2020-2021 are below the target rent band.
- 3.2.3 It is therefore recommended that with effect from April 2021 the average rent in Powys will increase by 1.5% (average £1.39 per week) for all 5,389 Council owned homes and 26 Gypsy Pitches. This is considerably lower than last year's average increase of £2.42 per week. Table One below shows the average rent in 2020-2021 and 2021-22 and the rent of the properties which will experience the greatest increase. It should be noted that the figures in Table One show rents over a 52-week rent year. In Powys rents for municipal homes are charged over a 48-week rent year with two 'rent free weeks' at Christmas and two 'rent free weeks' at Easter.

Table One: Housing Rents for 2020-21 and 2021-22

	Current Rent - 2020-2021	Recommended Rent - 2021-2022	Weekly Increase
Average HRA rent	£92.43	£93.82	£1.39
Maximum HRA rent	£156.78	£159.13	£2.35

- 3.2.4 The total rental income to the HRA from housing rents, if the recommendation is approved, will increase from £25,739,155 in 2020-21 to £26,289,872 in 2021-2022. This represents gross income before any allowance is made for void rent loss and arrears of rent. If the recommendation is not approved, then taking into account inflation 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.
- 3.2.5 The Council is during the Covid-19 event taking a proportionate and pragmatic approach to the collection of rent. While the 'Rent First' ethos remains the guiding principle, tenants who are facing unavoidable financial challenges linked to the Covid-19 event are being offered additional support to secure additional income, including for example submitting claims for claims for housing benefit and universal credit, and accessing advice via the Councils money advice team. The Tenancy Support Officers and the Housing Management and Options

Officers are keeping in touch with people to make sure that help is offered as soon as possible to prevent arrears climbing to high levels. The approach is proving to be successful in maintaining income to the HRA. At the start of Quarter Four 2020-2021 income recovery is running at 96.99% of rent due; for the same period last year this was 97.72%. This rigorous but pragmatic approach will continue in 2021-2022 when it expected to yield a similar success rate.

3.3 Service Charges

3.3.1 Service charges will need to be amended from April 2021 to allow the Council to recover the cost of providing these services. The service charges levied in 2020-21 are shown alongside the proposed charges for 2021-22 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.

Table Two: Service Charges for 2020-21 and 2021-22

Service Charge	Highest Weekly Service Charge		Lowest Weekly Service Charge (where a charge is made)		How the Service Charge is Calculated
	2020-2021	2021-2022	2020-2021	2021-2022	
Grounds maintenance	£1.59	£2.47	£0.04	£0.06	Calculated on a site-by-site basis, based on the size of the site and the cost of undertaking the work
Communal cleaning	£1.61	£1.61	£1.61	£1.61	Based on the total cost of the work, divided by all those who receive the service.
Communal heating and lighting	£0.91	£1.18	£0.91	£1.18	Based on the total cost of the service, divided by all those who receive the service.
Fire safety work	£1.74	£1.33	£0.12	£0.04	Based on actual costs per block and divided by all residents of the block.
TV aerials	No cost as of 21.1.2020	No cost as of 14.01.2021	No cost as of 21.1.2020	No cost as of 14.01.2021	Based on the costs associated with

					each aerial and divided by all potential users of the aerial system.
Repairs to entrance doors	TBA	N/A	TBA	N/A	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	£5.65	£9.46	£5.65	£9.46	Based on the total cost of the work, divided by all those who receive the service.
Lift maintenance	No costs in 20/21	£0.43	No costs in 20/21	£0.23	Costs split equally between tenants with lifts (for servicing)
Repairs to communal areas in flats	£2.45	N/A	£0.01	N/A	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.

3.3.3 Grounds maintenance service charges are based on the charges incurred two years prior to the current year. This means that the charges for 2020-2021 were based on 2018-2019 costs while costs for 2021-2022 will be based on costs incurred for 2019-2020. In 2019-2020, the Council increased the level of service to include winter works on the estates such as minor repairs and clearance of overgrown and unsightly areas, inspections and weed spraying. However, the cost for 2019-2020 is fixed for 2020-2021 and 2021-2022 which means that this service charge for tenants will remain fixed for the next three years, starting in 2021-2022.

3.3.4 There has been an increase in repairs needed to sewerage and water treatment plants to make sure that the systems remain legally compliant and operate in a way that satisfies the requirements of Natural Resources Wales. A programme of capital investment is being

put in place to replace aging equipment which is becoming more likely to need repairs.

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 £3.91 per week (excluding VAT).

3.4.2 In February 2020, the Council agreed the decision to take the Careline Service would rest with individual tenants and would no longer be mandatory for tenants of designated properties. This was to allow greater customer choice. At the same time, Careline would 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.

3.4.3 The HRA Business Plan for 2021-2022 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. This programme was scheduled to have undertaken in 2019-2020 but was put on hold due to the impact of the Covid-19 event.

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 alongside the roll out of the new equipment. However, due to the Covid-19 event, the new equipment has not yet been introduced. It would not be prudent to introduce a revised charge until the new equipment has been installed. This means a revised charge to reflect the actual cost of installing the new equipment will need to await completion of the renewal programme. It is therefore recommended that the charge for Careline in 2021-2022 remains at £1.10 per week.

Table Three: Careline Community Alarm Charges for 2020-2021 and 2021-2022

	Current Charge – 2020-2021	Recommended Charge - 2021-2022	Weekly Increase
Careline Community Alarm Charge	£1.10	£1.10	£0.00

3.5 Garages

3.5.1 A review has been completed of all the garage sites and plots owned by the Council. The review considered the demand for and suitability of garages for car parking, the condition of the buildings and the options for other uses for the sites, for example the development of new homes or car parking. For garage provision to continue to be viable, investment in the existing garage estate or new build garages to accommodate modern cars will be necessary in those sites that are to be retained.

3.5.3 Table Four below show the current rents for HRA garages in 2020-21 in Powys and the proposed rent for 2021-22. It also shows the current and proposed rents for garage plots owned by the HRA. It is recommended that HRA garage rents in Powys are increased by £2.64 per week, and garage plots by £20.04 per annum. This will help to align rents more closely with commercial provision and to support reshaping the Council's role in the garage market to better meet current demands.

Table Four: Garage and Garage Plot Rents for 2020-21 and 2021-22

	Existing Rent - 2020-21	Recommended Rent - 2021-22
Garage Rents	£9.86 per week	£12.50 per week
Rent for Garage Plots	£138.96 per annum	£159.00 per annum

3.5.4 The total rental income to the HRA from the provision of garages, if the recommendation is approved, income will increase from £664,350 in 2020-21 to £717,850 in 2021-22. The income for Garage Plot Ground rent in 2020-21 was £22,230; this will increase in 2021--22 to £24,960.

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 in Machynlleth will open at the end of quarter four of 2020-2021. All sites are managed by the Housing Service although the costs of providing this service falls on the General Fund. Service charges for the sites cover grass cutting for the Kings Meadow Site and sewerage for all sites.

3.6.2 It is recommended that weekly occupation charges for Gypsy and Traveller sites in 2021-2022 will be increased by 1.5%, 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 2021-22.

Table Five: Gypsy & Traveller Site Weekly Occupation Charge and Service Charges for 2020-21 and 2021-22

	2020-2021	2021-22
Weekly Occupation Charge for plots on Gypsy & Traveller sites	£104.24	£105.24
Grass Cutting Service Charge (Kings Meadow site only)	£0.61	£0.95
Sewerage Service Charge	£5.21	£8.73

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 £136,449 in 2020-21 to £184,411 in 2021-22.

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 1.5% in 2021-2022. 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. Tables Six and Seven 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 2020-2021 and 2021-2022 (including Council Tax)

Weekly occupation charge for temporary homeless accommodation	Occupation Charge - including Council Tax		Service Charge		Weekly Total Occupancy Charge	
	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022
Single person	£104.48	£106.05	£16.20	£16.44	£120.68	£122.49
Couple	£127.35	£129.26	£20.11	£20.41	£147.46	£149.67
Family	£151.92	£154.20	£28.91	£29.34	£180.83	£183.54

The 'including Council Tax' figures are the charges for people placed into shared accommodation (accommodation modified to allow separate households people to occupy a single property) example).

Table Seven. Temporary Homelessness Accommodation Weekly Occupation Charges for 2020-2021 and 2021-2022 (excluding Council Tax)

Weekly occupation	Occupation Charge excluding Council	Service charge	Weekly Total Occupancy
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charge for temporary homeless accommodation	Tax				charge	
	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022
Single person	£84.55	£85.82	£16.20	£16.44	£100.75	£102.26
Couple	£104.66	£106.23	£20.11	£20.41	£124.77	£126.64
Family	£126.30	£128.19	£28.91	£29.34	£155.21	£157.53

The 'excluding Council Tax' figures are the sum charged to people placed in self-contained accommodation.

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 1.5% from April 2021.

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 2021-22 and maintains the viability of the HRA Business Plan.

5. Legal implications

5.1 Legal: The recommendation can be supported from a legal point of view.

5.2 The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report".

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 5th, 2021 the average rent in Powys will increase by 1.5% (the average rent being £93.82 per week) for all 5,389 Council owned homes excluding service charges.
- 8.1.2 That service charges charged to HRA tenants are amended from effect from April 5th, 2021 to allow the Council to recover the cost incurred in providing these services.
- 8.1.3 That the weekly cost effect from April 5th, 2021 for Careline in 2021-2022 is £1.10 per week.
- 8.1.4 That HRA garage rents in Powys with effect from April 5th, 2021 for 2021-2022 are increased by £2.64 per week.
- 8.1.6 That garage plot charges effect from April 5th, 2021 for 2021-2022 increase by £20.04 per annum.
- 8.1.7 That the weekly occupation charge from April 5th, 2021 charges for Gypsy and Traveller pitches in 2021-2022 will be increased by 1.5% the average rent being £105.24.
- 8.1.8 That all other rental and service charges, not detailed above, effect from April 5th, 2021 will increase by 1.5%.

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