



CABINET – 30TH JANUARY 2019

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2019/2020

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

- 1.1 The attached report, which provided details of the proposed increased charges which are intended to be effective for the Housing Revenue Account (HRA) for the 2019/20 financial year, was considered by the Policy and Resources Scrutiny Committee on 15th January 2019. The report sought the views of Members on the proposed increases contained therein, prior to its presentation to Cabinet.
- 1.2 Officers summarised the process involved in preparing the Housing Revenue Account (HRA) budget. Members were reminded that Welsh Government's (WG) Policy for Social Housing Rents sets a target rent band for each Authority whereby councils have to adjust average rents for their properties in line with this banding. The uplift on the rent policy is fixed for five years and uses the previous September Consumer Price Index (CPI) inflation figure (as opposed to the RPI inflation figure). It also applies a 1.5% real increase to the average local authority rent and an additional £2 per week discretion for social landlords meeting certain criteria. 2018/19 was the final year of the existing five year agreement and following ministerial pressures in comparing Welsh rents to those in England, WG have agreed that the increase should be CPI only for 2019/20. The discretion to apply up to £2 per week has been removed for those social landlords whose average weekly rent is within or above their Target Rent Band. This decision will apply for one year only whilst WG are awaiting the outcome of the Affordable Housing Supply Review.
- 1.3 The previous September CPI inflation figure was 2.4% and the Business Plan assumed a rent increase of 3%. Applying 2.4% to the average rent means that Caerphilly Council are just below the Target Rent Band, and therefore this can be increased up to a maximum of £2 to ensure inclusion within the envelope range. In order to be at the minimum of the Target Band Range, a minimum increase of 2.7% is required, and in order to meet the requirement of the Housings Business Plan, an increase of 3% is necessary. The maximum rent increase that can be applied by the Authority is 4.74%. Members were therefore asked to recommend to Cabinet the level of increase per property from April 2019 based on the options in the report (2.7%, 3% or 4.74%). All relevant charges were highlighted within the report and detailed the amount of additional income that would be generated (excluding voids) for each of the proposed levels of increase, together with the percentage of service users receiving housing benefit. The increased income is required to offset other inflationary increases within the service area and support the delivery of all housing-related services, including the delivery of the WHQS programme.
- 1.4 The report also provided an update in respect of garage charges and it was noted that it is not proposed to increase the rent on Council-owned garages this year. This is due to the ongoing garage rationalisation and refurbishment programme, which is having a significant impact on void levels as the block of garages must be fully vacated prior to commencement of works on each site.
- 1.5 Discussion took place regarding the proposed levels of rent increase outlined in the report and

how local authorities are responding to the changes in the WG rent policy. A Member queried the implications for Caerphilly Council if the minimum level of increase (2.7%) were to be applied. Officers explained that increased borrowing would have to take place in order to achieve the Welsh Housing Quality Standard and that additional costs arising from extenuating factors might also need to be met. In response to Members' queries, Officers also outlined the different scenarios across each of the proposed levels in regards to the amounts payable by tenants and the percentage of tenants in receipt of housing benefits. Members also expressed concerns as to the impact of the proposed increases on some tenants in view of the changes to Universal Credit.

- 1.6 Having considered the options set out in the report, two levels of increase (3% and 2.7%) were moved and seconded respectively in regards to the level of rent increase to be recommended to Cabinet. The Committee took the motion on the 3% increase first, and by a show of hands and the majority present (and in noting there were 4 against) this was declared carried. As such, the alternative motion in respect of the 2.7% increase was declared lost.
- 1.7 The Policy and Resources Scrutiny Committee therefore recommended to Cabinet by the majority present that for the reasons set out in the report, the increase of 3% per property to comply with the Housing Business Plan be applied from April 2019.
- 1.8 Members are asked to consider the report and the above recommendation.

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Appendices:

Appendix 1 Report to Policy and Resources Scrutiny Committee on 15th January 2019 - Agenda Item 9