

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>The Executive</b>
<b>Date:</b>	<b>15<sup>th</sup> February 2021</b>
<b>Subject:</b>	<b>Housing Rent HRA and Housing Service Charges 2021/22</b>
<b>Portfolio Holder(s):</b>	<b>Councillor Alun Mummery</b>
<b>Head of Service:</b>	<b>Ned Michael, Head of Housing Services</b>
<b>Report Author:</b> Tel: E-mail:	<b>Darren Gerrard, Rent Income &amp; Financial Inclusion Team Manager</b> <b>01248 752265</b> <b>dkghp@anglesey.gov.uk</b>
<b>Local Members:</b>	

<b>A –Recommendation/s and reason/s</b>
<p>Members of the Executive Committee are asked to approve the rent increase and service charges for 2021/22 as set out below :-</p> <p><b>R1</b> to approve the rent increase in line with the Welsh Government target rent based on collection over 51 weeks.</p> <p><b>R2</b> to approve increasing all rents below current target rent bands by 0.45% + £2.00 per week to continue working towards rent convergence.</p> <p><b>R3</b> to approve increasing all rents on target or higher by 0.45%.</p> <p><b>R4</b> to approve an increase of 13p per week for the rent of all garages.</p> <p><b>R5</b> to approve that the service charges costs as noted within section 3.3 of the report be applied to all tenants who receive the relevant services.</p> <p><b>R6</b> to approve the setting of Intermediate Rent Fees at 80% of open market rental costs or up to Local Housing Allowance.</p>

## **Reasons**

### **1.0 Background**

- 1.1** The Council is required under the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA), which is ring-fenced for transactions specifically relating to Local Authority Housing.
- 1.2** On the 30<sup>th</sup> November 2020 a letter was received from the Welsh Government confirming that it had agreed the Policy for Social Housing Rents for 2021/22. It advises all Local Authorities should use the formula of consumer price index (CPI) + 1% with the value of CPI in September 2020 being 0.5%.
- 1.3** In 2020, The Affordable Housing Supply Review recommended a 5 year rent policy be implemented as it would provide certainty and stability for tenants and landlords. This year, The Minister for Housing and Local Government emphasises the need for consideration of value for money alongside affordability and not place excessive financial burden upon tenants during these challenging times.
- 1.4** In recent years the Council has had to follow the method of increasing rent levels by way of using 'Rent Target Bands'. This year, the Welsh Government have decided to 'suspend' these target bands on condition that the annual rental income collected does not increase by CPI + 1%.

### **2.0 Rent increase for Anglesey tenants**

- 2.1** As the Welsh Government have decided to suspend the Target Rent Bands for the financial year 2021/22, and in the interest of fairness, the decision is taken to provide an increase to **all** tenants up to the annual threshold amount of 1.5%. If we apply this to the rent increase and collect over 51 weeks to take account the rent free week over the Christmas period, we will generate approximately £278k of additional annual rental income.
- 2.3** Using the 51 week collection, the proposed rent increase for 2021/22 will be an average weekly increase of £1.42. This will increase the average weekly rent from £95.09 to £96.51.
- 2.4** In addition, this level of rent increase is being used as the model for the Housing Business Plan. If this method is not followed, alternative methods may be required to finance the business plan.

**2.5** In order to apply the annual rent increase fairly, equally amongst tenants and to ensure that the maximum annual increase threshold amount is not exceeded, the increase is calculated by 'Current Rent + 0.45%' and this is applied to all tenants. For the tenants that are significantly below the target rent band for this financial year an additional £2.00 per week will be added. This is to ensure that we continue to work towards achieving convergence with other social housing providers.

1) For 1910 properties that are below the current target rent bands, the current rent will be increased by 0.45% + £2.00 per week. The range of weekly increase is between £2.33 – £2.52 per week.

2) For the remaining 1942 properties where the properties are on current target rent or higher, an increase of 0.45% will be applied. This will provide a weekly increase range between £0.32p and £0.59p.

**2.6** If we apply the above rent increase methods, there will be 2175 properties on the target rent or higher and 1677 below the target rent.

**2.7** The rent policy will generate an annual rental income of approximately £18.95m for the HRA during 2021/22.

**2.8** When re-letting void properties it is proposed that the rent will be set in accordance with the policy rent increase agreed for the financial year 2021/22 which will eliminate the complication of the transitional increases.

### **3.0 Service Charges**

**3.1** The charges for services that the Authority provides during 2021/22 are based on actual costs incurred during 2019/20 and is shared equally among tenants and leaseholders. It should be noted that the majority of these costs are eligible for housing benefit or Universal Credit.

**3.2.** All costs for providing these services have increased compared to last years figures. The total income that will be generated is approximately £242k.

**3.3** Proposed 2021/2022 weekly charges, based on 51 weeks, are:

Lift maintenance - £0.17 - £1.17

Cleaning of communal areas - £2.76 – £6.89

Fire alarms and fire equipment - £2.03

Door entry systems - £0.66  
Sewerage Charges - £2.39  
Heating & Lighting of communal areas - £1.72  
TV Aerial's within communal areas - £0.22  
Painting of communal areas – £0.08 - £1.06  
Ground Maintenance (Domestic Properties) - £5.75 (6 monthly charge)  
Ground Maintenance (Sheltered Properties) - £0.15 - £3.23  
Management costs at 15% of each service charge.

- 3.4** Currently there are 61 leaseholders who will be charged for the services they receive by the Authority. This will generate an additional annual income of approximately £12k.

#### **4.0 Garages**

- 4.1** The Welsh Government Rent Policy does not provide any guidance on how to increase garage rents. The Council is therefore proposing to increase the garage rent by 0.13p per week which is in line with an increase of 1.5% (CPI + 1%). This will increase the rent from £8.42 per week to £8.55 and will generate income of £235k after deducting voids. As at 11<sup>th</sup> January 2021 there are 220 void garages.

### **5 Housing Benefit & Universal Credit**

- 5.1** Currently 2729 of the Council's tenants (72%) will face no additional hardship as a consequence of the proposed rent increase and service charges, as they are in receipt of full or part Housing Benefit or in receipt of Universal Credit. Tenants who are not in receipt of housing benefit will have to meet the rent and service charges, unless of course they become eligible for benefit, following the increase.
- 5.2** Due to the impact of the Government's Welfare Benefit Reform and the impact of the pandemic the provision for bad debts has therefore been increased to £295k (1.5%) for 2021/22 as we expect arrears will increase when tenants have to meet a greater proportion of rent themselves. This is a significant increase due to the potential affect of Universal Credit.
- 5.3** Housing Services have three Financial Inclusion Officers who are available to provide information, advice and support to tenants around financial inclusion issues with a strong focus on increasing financial capability and budgeting skills to manage their finances and to access mainstream financial services. Links have also been developed to improve working practices at a strategic and operational level with both

internal and external partners such as J E O'Toole, CAB, Mon Communities First, Gofal a Thrwsio, Age Cymru and utility companies.

## 6 Setting of Intermediate Rents 2021/22

**6.1** During the next financial year the Authority is looking to develop new Council houses with a view of charging Intermediate Rents.

**6.2** These type of properties are affordable housing where the rents are above those of social rented properties but below those of private rented properties and will be allocated under the Tai Teg Allocation Register and not the Common Housing Register.

**6.3** Welsh Government's Rent First Intermediate Rent Guidance (2011) states that intermediate rent should be based on Local Housing Allowance or 80% of open market rents.

Information collated by Tai Teg in October 2020 shows that the majority of North Wales Housing Associations set their intermediate rent based on 80% of open market rental costs:

	Adra	Clwyd Alyn	Cartrefi Conwy	Grŵp Cynefin	New Homes	North Wales Housing
Rent on LHA or 80/90% open market rent	80%	80%/90%	80%	LHA or 80%	Generally 90% of open market rent, but in some cases where property is difficult to let we may compare LHA rate	This is dependent on S106 obligations, if allowed 80% of OPV generally we would increase to this

### Information to assist with setting intermediate rental costs:

The table below displays the most up to date information available for Anglesey, to assist with setting the intermediate rental fee:

	Social Rent (2020/21)	Local Housing Allowance (January 2021)	Average PRS Rents (1 <sup>st</sup> Jan-31 <sup>st</sup> Dec 2019)	80% of PRS Rent	90% of PRS Rent
1 bedroom	£79.78 pw (flat)	£80.55 pw	£398.15 pcm	£73.30 pw	£82.47

	£88.07 pw (house/bungalow)		(£91.63 pw)		pw
2 bedroom	£87.43 pw (flat) £94.98 pw (house/bungalow)	£103.56 pw	£518.14 pcm (£119.25 pw)	£95.40 pw	£107.33 pw
3 bedroom	£101.20 pw	£120.82 pw	£590.25 pcm (£135.85 pw)	£108.68 pw	£122.27 pw
4 bedroom	£107.86 pw	£149.59 pw	£799.93 pcm (£184.10 pw)	£147.28 pw	£165.69 pw

**B – What other options did you consider and why did you reject them and/or opt for this option?**

- 1) We considered the option of applying rent increase of 1.5% to all tenants but this was deemed to be unfair for the tenants who are currently on target rent. Therefore, it was decided to apply 0.45% increase across all tenants with an additional £2.00 per week to the tenants below the target rent bands. This formula would accumulate to the total annual amount of increase allowed.

**C – Why is this a decision for the Executive?**

The new Welsh Government Rent Policy has implications for the HRA Business Plan.

**D – Is this decision consistent with policy approved by the full Council?**

- 1) All Local Authorities, as instructed by the Welsh Government are required to implement the Rent Policy. Rejecting this policy would ultimately mean a loss of income for the Authority and inevitably affect the services provided. This would also undermine the HRA Business Plan and and potentially leave us subject to intervention by the Welsh Government if the policy was not adopted.
- 2) Rejecting this policy could also jeopardise the annual Major Repairs Allowance income of £2.66m received from Welsh Government as it could be seen that we aren't maximizing our income generation opportunities.

**DD – Is this decision within the budget approved by the Council?**

Yes

**E – Who did you consult?**

**What did they say?**

1	Chief Executive / Strategic Leadership Team (SLT)
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	(mandatory)	
<b>2</b>	<b>Finance / Section 151</b> (mandatory)	
<b>3</b>	<b>Legal / Monitoring Officer</b> (mandatory)	
<b>4</b>	<b>Human Resources (HR)</b>	
<b>5</b>	<b>Property</b>	
<b>6</b>	<b>Information Communication Technology (ICT)</b>	
<b>7</b>	<b>Scrutiny</b>	
<b>8</b>	<b>Local Members</b>	
<b>9</b>	<b>Any external bodies / other/s</b>	

<b>F – Risks and any mitigation (if relevant)</b>		
<b>1</b>	<b>Economic</b>	Welsh Government expects Councils to increase rents annually and provides an appropriate formula for this purpose. Councils have an obligation to maintain high standard of accommodation for its tenants, and is therefore reliant on this additional revenue to counter the effects of inflation.
<b>2</b>	<b>Anti-poverty</b>	Please refer to the Anti Poverty Strategy by the Housing Department during 2018.
<b>3</b>	<b>Crime and Disorder</b>	Not Applicable
<b>4</b>	<b>Environmental</b>	Not Applicable
<b>5</b>	<b>Equalities</b>	Y applying the rent increases in this way we continue with the rent convergence Process for the various property types which is fairer for tenants.
<b>6</b>	<b>Outcome Agreements</b>	Not Applicable
<b>7</b>	<b>Other</b>	Not Applicable

<b>FF - Appendices:</b>

<b>G - Background papers (please contact the author of the Report for any further information):</b>
Notification letter 2021/2022

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Llywodraeth Cymru  
Welsh Government

Chairs of Registered Social Landlords  
Director of Finance of Local Housing Authorities  
Director Housing of Local Housing Authorities

30 November 2020

Dear Colleagues

**Social Housing Rent and Service Charges from 2021-2022**

The purpose of this letter is to advise social landlords of the maximum rent levels that tenants can be charged from 6th April 2021.

I recognise the enormous pressure that social landlords have been under this year and that it has been an unprecedented year for all of us.

This is the second year of the 5 year rental agreement introduced last year and it is even more important that the needs of landlords and the interest of tenants are considered equally. Affordability is an issue that I take very seriously and I am mindful of not placing excessive financial burdens upon tenants in these very challenging times. I am also aware of the potential difficulties that social landlords face from increasing rent arrears and growing levels of homelessness.

The agreed approach remains as:

1. An annual rent uplift of up to CPI+1% using the level of CPI from the previous September each year. September 2020, CPI was 0.5%.
2. CPI+1% will be the maximum increase allowable in any one year but CPI+1% must not be regarded as an automatic uplift to be applied by social landlords. Landlords decisions on rent should take into account the affordability of rents for tenants as set out below.
3. The level of rents for individual tenants can be reduced, frozen or can rise by up to an additional £2 per week over and above CPI+1%, on condition that total rental income collected by the social landlord increases by no more than CPI+1%. This provision is designed to enable social landlords to restructure rents payable where appropriate.

4. Should CPI fall outside the range of 0% to 3%, the Minister with responsibility for housing will determine the appropriate change to rent levels to be applied for that year only.
5. Social landlords should advise the Welsh Government where they have concerns about the impact that rent policy has upon their business plan or financial viability, or on their ability to meet their obligations to tenants and lenders.
6. As an intrinsic part of the five year rent policy, social landlords will be expected to set a rent and service charge policy which ensures that social housing remains affordable for current and future tenants. As part of their annual decision on the level of rent uplift/reduction to be applied they should make an assessment of cost efficiencies across the operating cost base, value for money and affordability for tenants.

### **COVID 19 & Changes to Target Rent Bands**

During the pandemic, governmental resources have been re-prioritised meaning this year's rent data-set collection was suspended at the start of the COVID 19 crisis. Therefore there is no up to date, robust data available to generate Target Rent Bands for the year ahead. I have therefore considered the role of the Target Rent Bands, instructing my officials to discuss the matter with your representative bodies and individual stakeholders. Discussions have revealed that whilst Target Rent Bands played a valuable role when they were introduced, the landscape today is very different and for most landlords they do not play a significant role in local rent setting. I have therefore taken a pragmatic decision to *suspend* them *for this year*. I will review the impact of this decision in next year's rent setting, and if there are unexpected and unintended matters arising from this decision, I will re-consider the use of Target Rent Bands going forward.

### **Monitoring Compliance**

All social landlords are required to make, and evidence, an annual assessment of affordability for tenants, cost efficiencies and demonstrate their homes and services represent value for money as part of their decision on the rent uplift to be applied each year.

Social landlords should remember that the rent policy settlement is a maximum amount which can be charged, it is not a target rent.

To assist with providing the necessary assurance, each social landlord will be required to complete a self-certification monitoring form which will be used to monitor compliance with Welsh Government Rent Standard. The form will be made available shortly.

### **Wider Rental Agreement**

I am pleased to note that work has been ongoing on a number of the new initiatives agreed with the sector last year but there have been inevitable delays due to the pandemic. As a result, where dates or approaches to the initiatives have changed, they are set out below:

- Strengthen your approaches designed to ensure you minimise all evictions and deliver on a new agreement not to evict into homelessness;
- Undertake a standardised tenant satisfaction survey and provide the data for publication on a central website to assist tenants in scrutinising and comparing landlord performance. First survey results to be available for publication by April 2021 and surveys to be carried out at least bi-annually thereafter. **Update-** the first publication will still be in April 2021 but will be based on satisfaction data we hold already where meaningful comparison can be made. Officials will be discussing a revised set of core questions for survey results to be published in April 2022 in the coming months.
- Build on your existing commitment to delivering high quality homes, with an aspiration that BHS 2021 **space** standards will apply across tenure<sup>1</sup> on sites which attract Welsh Government funding, on a phased basis from 2021; and
- Work towards an aspiration that all new build housing, regardless of tenure, achieves energy efficiency standards of no less than EPC A on sites which attract any Welsh Government funding from April 2021.

Despite the pandemic, our work together must continue to ensure tenant's now and in the future, have access to more, high quality energy efficient homes which are affordable, and we do all we can to alleviate poverty in these uncertain times.

If you have any queries or concerns about rent setting and Welsh Government's expectations, please feel free to contact my officials through the email addresses below.

LHA's – [HousingQualityStandards@gov.wales](mailto:HousingQualityStandards@gov.wales)

RSL's – [HousingRegulation@gov.wales](mailto:HousingRegulation@gov.wales)

Yours faithfully



Julie James  
Minister for Housing and Local Government

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<sup>1</sup> Please note that the full DQR 2020 standard includes other requirements in addition to space standards and these will need to be met in full for homes financed by schemes such as Social Housing Grant.

**c.c.** Local Authority Council Leaders  
Local Authority Chief Executives  
Director of Housing (Transfer Local Authorities)  
Chief Executives of Registered Social Landlords  
Directors of Finance, Registered Social Landlords  
Local Authority HRA Business Plan contacts  
Welsh Local Government Association  
Community Housing Cymru  
Chartered Institute of Housing Cymru  
Tenants Participation Advisory Service  
Tai Pawb  
UK Finance  
Abbeyfield Co-ordinator Wales  
Prof Mark Stephens, Heriot Watt University