

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	The Executive
Date:	19th February 2018
Subject:	Housing Rent HRA and Housing Service Charges 2018 - 2019
Portfolio Holder(s):	Councillor Alun Mummery
Head of Service:	Ned Michael, Head of Housing Services
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Local Members:	

A –Recommendation/s and reason/s
<p>Members of the Executive Committee are asked to approve the rent increase and service charges for 2018/19 as set out below :-</p> <p>R1 to approve the rent increase in line with the Welsh Government target rent based on collection over 51 weeks.</p> <p>R2 to approve increasing all rents below target of between £0.06 - £6.15 by 4.5% plus an amount up to the maximum of £2.00 per week to bring to target rent towards convergence.</p> <p>R3 to approve increasing all rents below target rent of between £4.75 - £6.69 by 4.5% plus £2.00 per week.</p> <p>R4 to approve that the rent for the 19 properties that are above target rent should remain at their current levels.</p> <p>R5 to approve an increase of 40p per week for the rent of all garages.</p> <p>R6 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>

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 11th December 2017 a letter was received from the Welsh Government confirming that it had agreed to maintain the Welsh Government Policy for Social Housing Rents for 2018/19.
- 1.3** The formula for the annual rent increases will be the consumer price index (CPI) value at the previous September plus 1.5%. In September 2017 CPI was 3% thereby giving a total of 4.5% for 2018/19.
- 1.4** As the Council's current rent levels are significantly below the intended policy target rents, to achieve convergence with other social housing providers will require that Council housing rents (which currently fall below the policy target rents) to be subject to an additional weekly increase up to a maximum of £2 above inflationary rent increases.

2.0 Rent increase for Anglesey tenants

- 2.1** The Welsh Government target rent (as shown in table below) is based on rent being charged over 52 weeks. 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 £1M of additional annual rental income.

	Houses and Bungalows (£)					Flats (£)				Bedsits
	1Bed	2Bed	3Bed	4Bed	5+Bed	1Bed	2Bed	3Bed	4+Bed	
WG Target Rent (52 Weeks)	£83.66	£92.95	£102.25	£111.54	£120.84	£75.69	£84.10	£92.51	£100.92	£67.28
Target Rent (51 Weeks) Collection	£85.30	£94.78	£104.26	£113.73	£123.21	£77.18	£85.75	£94.33	£102.90	£68.60
Proposed Average Current Rent (51 Weeks)	£83.36	£86.68	£93.10	£98.75	£105.84	£76.63	£82.15	£88.54	£102.90	£68.60

- 2.3** Using the 51 week collection target rent, the proposed rent increase for 2018/19 will be an average weekly increase of £5.29. This will increase the average weekly rent from £82.79 to £88.08 which is still below the policy rent band. The rent band for Isle of Anglesey County Council is between £90.10 (low end), £94.84 (mid point) and £99.58 (high end).
- 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, expenditure may have to increase to finance the business plan.
- 2.5** For the properties which are significantly below the policy target rent and in order to move towards the target rent for these properties, it is proposed to increase the current rents by the following methods :-
- 1) For 1065 properties where the difference between the current rent and the target rent is between £0.06 to £6.15 per week, the current rent will be increased by 4.5% plus an amount up to the maximum of £2.00 per week.
 - 2) For the 2720 properties where the difference between the current rent and the target rent is between £4.75 to £6.69 per week the current rent will be increased by the formula 4.5% + £2 per week.
 - 3) For the 19 properties where the current rents are above the target rent, the Welsh Government expects all Local Authorities to increase these rents at a reduced rate. We propose not to apply any increase to these rents until they are aligned with the target rent.
- 2.6** Using the above methods will move the Authority towards achieving the Target rent and reach rent convergence in rent levels. The rent convergence is expected to be achieved by approximately 2023/24 and increased in line with target rents thereafter.
- 2.7** The rent policy will generate an annual rental income of approximately £17.1m for the HRA during 2018/19.
- 2.8** When re-letting void properties it is proposed that the rent will be set in accordance with the target policy rent which will eliminate the complication of the transitional increases.

3.0 Service Charges

3.1 The charges for services that the Authority provides during 2018/19 are based on actual costs incurred during 2016/17 and is shared equally among tenants and leaseholders. It should be noted that the majority of these costs are eligible for housing benefit.

3.2. All costs for providing these services has increased compared to last years figures. The total income that will be generated is approximately £269K.

3.3 Proposed 2018 - 2019 weekly charges, based on 51 weeks, are:

Lift maintenance - £0.70 - £2.51

Cleaning of communal areas - £2.03 – £5.07

Fire alarms and fire equipment - £1.02

Door entry systems - £0.59

Sewerage Charges - £4.94

Heating & Lighting of communal areas - £1.03

TV Aerial's within communal areas - £0.17

Painting of communal areas – £0.13 - £0.47

Ground Maintenance (Domestic Properties) - £2.63

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 £10.5k.

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 40p per week. This will increase the rent from £7.60 per week to £8.00 and will generate income of £220k after deducting voids. As at 9th January 2018 there are 225 void garages.

5 Housing Benefit

5.1 Currently 2,795 of the Council's tenants (73%) 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. 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 In anticipation of the Government's Welfare Benefit Reform the provision for bad debts has therefore been increased to £263k (1.5%) for 2018/19 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 has a Financial Inclusion Officer who is 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.

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

- 1) We considered the option not to increase the garage rent due to the condition of some of the garages but following enquiries with other Local Authorities, they all confirmed that they increase the rent in line with the dwelling rent increase of 4.5%. We have decided to adopt the same method to maximise the garage rental income.

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) (mandatory)	
2	Finance / Section 151 (mandatory)	
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

F – Risks and any mitigation (if relevant)

1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

FF - Appendices:

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G - Background papers (please contact the author of the Report for any further information):

Notification letter 2018 – 2019

Copy of final Rent Policy Tables 1 – 4 2018 – 2019