

<b>Isle of Anglesey County Council</b>	
Report to:	<b>The Executive</b>
Date:	<b>14<sup>th</sup> February 2022</b>
Subject:	<b>Housing Rent HRA and Housing Service Charges 2022/23</b>
Portfolio Holder(s):	<b>Councillor Alun Mummery</b>
Head of Service / Director:	<b>Ned Michael, Head of Housing Services</b>
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Local Members:	

<b>A – Recommendation/s and reason/s</b>	
<p>Following the Welsh Government’s announcement of a 3.1% increase in social rent levels Members of the Executive Committee are asked to approve the rent increase and service charges for 2022/23 as set out below :-</p>	
<b>R1</b>	to approve the rent increase in line with the Welsh Government rent policy on collection over 51 weeks.
<b>R2</b>	to approve increasing all rents below current target rent bands by 2.25% + £2.00 per week to continue working towards rent convergence.
<b>R3</b>	to approve increasing all rents on target by 2.25%.
<b>R4</b>	to approve that the rent for the 226 properties that are above target rent should remain at their current levels.
<b>R5</b>	to approve an increase of 27p per week for the rent of all garages.
<b>R6</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.

## A – Recommendation/s and reason/s

### 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 29<sup>th</sup> December 2021 a letter was received from the Welsh Government confirming that as the CPI for September 2021 falls outside the range of 0% to 3%, the Minister with responsibility for Housing will determine the appropriate change for Social Housing Rents for 2022/23. The Minister has determined that all Local Authorities should use the consumer price index (CPI) only with the value of CPI in September 2021 being 3.1%.
- 1.3 In previous years the Council has followed the method of increasing rent levels by way of using 'Rent Target Bands' but this method was suspended last year and continues for this year on condition that the annual rental income collected does not increase by a sum more than the CPI increase of 3.1% awarded.

#### 2.0 Rent increase for Anglesey tenants

- 2.1 As the Welsh Government have decided to suspend the Target Rent Bands again for the financial year 2022/23, the decision is taken to provide an increase to all tenants who are on target rent or below up to the annual threshold amount of 3.1%. 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 £574k of additional annual rental income as a result of this increase.
- 2.2 Using the 51 week collection, the proposed rent increase for 2022/23 will be an average weekly increase of £2.99. This will increase the average weekly rent from £96.51 to £99.50.
- 2.3 In addition, this level of rent increase is being used as the base model for the Housing Business Plan. If this method is not followed, alternative methods may be required to finance the business plan.
- 2.4 In order to apply the annual rent increase fairly and equally amongst tenants and to ensure that the maximum annual increase threshold amount is not exceeded, the increase is calculated by 'Current Rent + 2.25%' for tenants who are on target rent and for the tenants that are significantly below the target rent band an additional £2.00 per week will be added. Tenants who are above the target rent band will not receive an

## A – Recommendation/s and reason/s

increase. This is to ensure that we continue to work towards achieving rent convergence with other social housing providers.

- 1) For 1664 properties that are below the current target rent bands, the current rent will be increased by 2.25% + £2.00 per week. The range of weekly increase is between £3.70 – £4.65 per week.
- 2) For the 1996 properties where the properties are on current target rent, an increase of 2.25% will be applied. This will provide a weekly increase range between £1.60p and £2.88p.
- 3) For the 226 properties where the current rents are above the target rent, we propose not to apply any increase to these rents until they are aligned with the target rent.

**2.5** The Housing Service has Financial Inclusion Officers who are available to provide advice to tenants who would face any financial hardship as a result of implementing this increase in their weekly rent costs.

**2.6** The rent policy will generate an annual rental income of approximately £19.7m for the HRA during 2022/23.

**2.7** 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 due to the current suspension of target 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 2022/23 are based on actual costs incurred during 2020/21 and is shared equally among tenants and leaseholders utilizing the services. It should be noted that the majority of these costs are eligible for housing benefit or Universal Credit.

**3.2** Most of the costs for providing these services have reduced compared to last year's figures. The total income that will be generated is approximately £201k.

**3.3** Proposed 2022/2023 weekly charges, based on 51 weeks, are:

Lift maintenance - £0.33 - £2.13  
Cleaning of communal areas - £2.83 – £7.07  
Fire alarms and fire equipment - £0.76  
Door entry systems - £0.46  
Sewerage Charges - £3.48  
Heating & Lighting of communal areas - £0.84  
TV Aerial's within communal areas - £0.24  
Painting of communal areas – £0.08 - £1.06

## A – Recommendation/s and reason/s

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 £7k.

### **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 0.27p per week which is in line with an increase of 3.1% (CPI). This will increase the rent from £8.55 per week to £8.82 and will generate income of £247k after deducting empty garages. As at 7<sup>th</sup> January 2022 there are 214 empty garages.

### **5.0 Housing Benefit & Universal Credit**

- 5.1** Currently 2765 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 £295,500 (1.5%) for 2022/23 as we expect arrears will increase when tenants have to meet a greater proportion of rent themselves.
- 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.

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

We considered the option of applying the full rent increase of 3.1% to all tenants but this was deemed to be unfair for the tenants who were currently on rent that were

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

higher than the target. Therefore, it was decided to apply 2.25% increase to tenants who are on target 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 Welsh Government Rent Policy has implications for the HRA Business Plan.

**Ch – 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.

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

Yes

**Dd – Assessing the potential impact (if relevant):**

1	How does this decision impact on our long term needs as an Island?	Through continued investment within our stock meaning homes achieve WHQS standards on an ongoing basis
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	Not relevant
3	Have we been working collaboratively with other organisations to come to this	

Dd – Assessing the potential impact (if relevant):		
	decision? If so, please advise whom.	
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	There has been no specific consultation. Tenants are informed annually of rent & service charges increase post-democratic approval in February. Tenants are provided with four weeks' notice of this increase via letters.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	EIA has been created and updated. Applying the rent increases in this way, we continue with the rent convergence process for the various property types which is fairer for tenants.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	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. Most tenants will be unaffected by the increase due to the eligibility of Housing Benefit or Universal Credit.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	None – the rent increase is not directly associated with the Welsh Language given all tenants will be affected by the rent & service Charges increase.

E – Who did you consult?		What did they say?
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)	Supportive of intent
2	Finance / Section 151 (mandatory)	Supportive of intent
3	Legal / Monitoring Officer (mandatory)	Supportive of intent
4	Human Resources (HR)	Not Applicable
5	Property	Not Applicable
6	Information Communication Technology (ICT)	Not Applicable
7	Procurement	Not Applicable
8	Scrutiny	Not submitted
9	Local Members	

F - Appendices:

Ff - Background papers (please contact the author of the Report for any further information):
WG Notification letter 2022/2023



Llywodraeth Cymru  
Welsh Government

Chairs of Registered Social Landlords  
Director of Finance of Local Housing Authorities  
Director Housing of Local Housing Authorities  
Chief Executives of Registered Social Landlords  
Directors of Finance, Registered Social  
Landlords

29 December 2021

Dear Colleague

### **Social Housing Rent and Service Charges from 2022-2023**

The purpose of this letter is to advise social landlords of the maximum rent levels that tenants can be charged from 4<sup>th</sup> April 2022.

This is the third year of the 5 year rental agreement and it is even more important that the needs of landlords and the interest of tenants are considered equally. Affordability remains at the heart of this rent settlement and I remain mindful of not placing excessive financial burdens upon tenants in these very challenging times.

As you will all be aware the September CPI index was 3.1% which means that under the rental agreement the annual rent uplift of CPI+1% does not apply and that the Minister for Climate Change will determine the appropriate change to rent levels which will apply **for the following year**.

The Minister has determined:

1. The maximum annual rent uplift will be up to **CPI ONLY** based on the September 2021 index of **3.1%**
2. Whilst CPI (3.1%) will be the maximum increase allowable for 2022/23 it must not be regarded as the default increase. Landlords' decisions on rent must take into account the affordability of rents for tenants.
3. The level of an individual rent can be reduced, frozen or can rise by up to an additional £2 per week over and above CPI, **on condition that the total rental income collectable across the whole stock increases by no more than CPI**. This provision is designed to enable social landlords to restructure rents



where appropriate. In effect, if you decide an individual rent(s) should increase by up to £2.00 per week on top of 3.1%, other rent(s) will need to be frozen or reduced to ensure the overall increase for the whole stock does not exceed 3.1%.

4. Social landlords should advise the Welsh Government if they have concerns about the impact that the rent standard has upon their business plan, financial viability or on their ability to meet their obligations to tenants and lenders.
5. As an intrinsic part of the five year rent standard, social landlords are expected to set a rent and service charge policy which ensures that social housing is and remains affordable for current and future tenants. As part of the annual decision on the level of rent uplift/reduction to be applied, social landlords must assess cost efficiencies across the operating cost base and value for money as well as affordability for tenants.

### **Suspension of Target Rent Bands**

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. Following discussions with sector representatives, their suspension will be continued. The impact of this decision will be monitored going forwards, and if there are unexpected and unintended matters arising from this decision, the use of Target Rent Bands will be reviewed.

### **Monitoring Compliance**

All social landlords are required to make, and evidence, an annual assessment of affordability for tenants, cost efficiencies and to 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 the rent standard is the **maximum** increase which can be applied. **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 the Welsh Government Rent Standard. The form is included in the published [Rent Standard](#) and must be completed and returned by the end of February 2022.

Please note that detailed assessments of compliance with the rent standard will be undertaken and further detailed information/assurance may be requested where there are any concerns.

### **Wider Rental Agreement**

I am pleased to note that work has been ongoing on a number of the new initiatives agreed with the sector. As a result, the detail of the initiatives have been updated and set out below:

- Continue to strengthen your approaches designed to ensure you minimise all evictions, working effectively with partners to 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. The next submission date, based on the revised core questions, is 28 February 2022 for publication in April.
- Build on the commitment to deliver high quality homes which comply with the new housing quality standard “WDQR 2021” across all tenures on sites which attract Welsh Government funding.
- Continue to 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.

Despite the pandemic, we must continue to work together to ensure tenants now and in the future have access to more high quality, energy efficient homes 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 the teams 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



**EMMA WILLIAMS**

**Cyfarwyddwr Tai ac Adfywio / Director of Housing and Regeneration**  
**Llywodraeth Cymru / Welsh Government**

**C.C.** Local Authority Council Leaders  
 Local Authority Chief Executives  
 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