

AGENDA ITEM NO.

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to</b>	<b>Executive Committee</b>
<b>Date</b>	<b>February 2014</b>
<b>Subject</b>	<b>Housing Rent HRA 2014 - 2015</b>
<b>Portfolio Holder(s)</b>	<b>Councillor Kenneth P Hughes</b>
<b>Lead Officer(s)</b>	<b>Shan Lloyd Williams, Head of Housing Services</b>
<b>Contact Officer</b>	<b>Darren Gerrard, Financial Systems Manager</b>
<b>Nature and reason for reporting:</b>	
Elected Members are requested to approve the rent levels to be charged on Tenants of Council Housing for 2014 – 2015.	

**A – Introduction / Background / Issues**

**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 18th December 2013, a letter was received from the Welsh Government to consult with local authorities on the draft HRA subsidy and Item 8 determinations for 2014 - 2015. These are set annually by the WG and influence rent increases, together with the amount of HRA subsidy payable to the Council. The consultation proposals concentrated on the national guideline rent and management and maintenance elements of the HRA subsidy for 2014 - 2015.
- 1.3** It is proposed to increase the all-Wales average weekly guideline rent which is based on the Minister for Housing Regeneration and Heritage's decision.
- 1.4** It is also proposed to increase the management and maintenance allowance for 2014 - 2015 to £2,769 per dwelling for each local authority.

- 1.5** On February 2014 the final version of the HRA subsidy and Item 8 determinations was received from the Welsh Government which included the final rent increase for 2014 - 2015.
- 1.6** In January 2014, the HRA 30 year business plan was updated and submitted to the WG. Following the Council's decision to achieve the Welsh Housing Quality Standard by retaining its housing stock in November 2006, it is imperative that the rental income is maximised. In order to sustain the viability of our 30 year housing stock business plan.

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

- 2.1** The level of any rent increase is determined by the Local Authority, however the practice usually followed in recent years, is to apply the WG guideline rent increase. It should be noted that Isle of Anglesey County Council has the lowest guideline rent in Wales.
- 2.2** The rent increase limit for Ynys Môn, contained within the Housing Revenue Account Subsidy (HRAS) Determination for 2014 - 2015 guidelines, is a standard increase of £3.47p per dwelling, per week, which equates to an increase of 5.45%. If the Council chooses to implement the recommendation, the net rent increase will generate an estimated rental income to the HRA in 2014 - 2015 of £13.9 million. This will increase the average weekly rent from £66.61 to £70.08, which is still below benchmark rent.
- 2.3** It is recommended that the final guideline rent increase is also applied to all garage rents. This is in line with the approval of the Council's Executive Committee held on 21<sup>st</sup> February, 2005 to increase the garage rent annually. The current garage rent 2013 - 2014 is £6.69. The increase would equate to 36pence per week, making the new rent level £7.05 per week. This will generate income of £208k from garages after deducting voids.
- 2.4** As noted above in paragraph 1.6, the Council needs to balance the HRA business plan [statutory obligations], and at the same time, needs to keep its rents affordable, so as to maintain the WHQS standards and continual improvements in the future.

### **3.0 Housing Benefit**

- 3.1** Currently, nearly 71% [2,637] of the Council's tenants will face no additional hardship as a consequence of the proposed rent increase, as they are in receipt of Housing Benefit. Tenants who are currently not in receipt of benefit will have to meet the increase in rent, unless of course they become eligible for benefit, following the rent increase.
- 3.2** In anticipation of the Government's Welfare Benefit Reform the provision for bad debts has, therefore, been increased to £78k as we are expecting that arrears will increase when tenants have to meet a greater proportion of rent themselves. We also expect that arrears and collection costs will increase. The Service has an action plan in place which is designed to provide as much support as possible to tenants and mitigate risks to the service's income and business plan.
- 3.3** Housing Services has recruited a Financial Inclusion Officer to work Within the service developing links and improve working practices at a Strategic and operational level with both internal and external partners such as J E O'Toole, Môn Communities First, CAB, Gofal a Thrwsio and Age Cymru. This will provide the support required for the tenants who are on low incomes. Housing Services also works closely with Team Around the Family and Flying Start to offer support to families on low income or who may be affected by Welfare Reform changes.

### **4.0 Changes to the Housing Revenue Account Subsidy System**

- 4.1** In England, the housing finance subsidy system was replaced by a new self- financing HRA with effect from April, 2012. Each authority is allowed to keep all their rent income. However, there was redistribution between Councils, of the total English local authority housing debt of £25 billion.
- 4.2** Welsh Government is currently in negotiations with HM Treasury to agree buyout of the £73 million subsidy paid each year. It is likely that the new housing finance system in Wales will be on a similar basis to England.
- 4.3** WG has also confirmed that a new policy for social housing rents will be implemented in April, 2015 after the HRA Subsidy System has been dismantled. The new policy will include the introduction of a target rent envelope for each Social Housing Landlord, whether LA or Registered Social Landlord.

## **B - Considerations**

The main impacts of not charging the recommended rent increase are as follows:

1. Loss of rental income and a permanent erosion of the rental base for future years.
2. The Subsidy system calculations assume the guideline rental income is collected meaning that the negative subsidy payment is higher than if the actual rent is used. Effectively, the authority would be making negative subsidy payments back to government that they haven't collected in rents. This will continue until the gap between the actual rent and the guideline rent is closed.

The new Social Housing Rent Policy, which will be implemented after the HRA Subsidy System has been dismantled, uses various factors to calculate a "target rent envelope" for each social housing landlords, whether LA or RSL. Landlords are free to set their own rent policies, as long as their average actual rent falls within that range. WG have recognised that there will need to be a period over which those landlords that are outside of their envelope move towards it. What is not clear is quite what WG will do if landlords do not appear to be moving towards the envelope at a sufficient pace for them. The further below the rent envelope a landlord is, the longer, and potentially more difficult, that move towards the envelope will be.

## **C – Implications and Impacts**

<b>1</b>	<b>Finance / Section 151</b>	Awaiting response
<b>2</b>	<b>Legal / Monitoring Officer</b>	Awaiting response
<b>3</b>	<b>Human Resources</b>	No comments
<b>4</b>	<b>Property Services</b> (see notes – separate document)	
<b>5</b>	<b>Information and Communications Technology (ICT)</b>	
<b>6</b>	<b>Equality</b> (see notes – separate document)	

<b>C – Implications and Impacts</b>		
<b>7</b>	<b>Anti-poverty and Social</b> (see notes – separate document)	
<b>8</b>	<b>Communication</b> (see notes – separate document)	
<b>9</b>	<b>Consultation</b> (see notes – separate document)	
<b>10</b>	<b>Economic</b>	No comments
<b>11</b>	<b>Environmental</b> (see notes – separate document)	No comments
<b>12</b>	<b>Crime and Disorder</b> (see notes – separate document)	
<b>13</b>	<b>Outcome Agreements</b>	

<b>CH - Summary</b>
Members are asked to approve the level of rent increase for 2014 – 2015 as set out by the Welsh Government at a rate of 5.45% which equates to an average rent increase of £3.47 per dwelling per week and 36pence per week for garages.

<b>D - Recommendation</b>
Members are asked to approve the level of rent increases for 2014 - 2015 as set out below:-
<b>R1 The increase of rent of 5.45% on all dwellings for 2014 - 2015, which equates to an average increase of £3.47 per dwelling per week</b>
<b>R2 The increase of garage rent of 5.45%, which equates to 36pence per week</b>

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**Date:** 31/01/14

<b>Appendices:</b>
Appendix 1 – breakdown of the number of dwellings affected by rent increase and by value of rent increase.

<b>Background papers</b>

## Appendix 1

### Dwellings

For 2014 - 15, based on an increase of 5.45% on current rent level, this will result in a differential increase for each type of dwelling. The table as set out below shows the number of dwellings affected:-

<u>Rent Increase</u>	<u>No of Dwellings</u>	
Up to £2.50	1	
£2.50 - £3.00	108	
£3.01 - £3.50	1016	
£3.51 - £4.00	2026	
£4.01 - £4.50	426	
Over £4.50	224	(mainly 6/7 bedroomed, two properties occupied as one dwelling plus Warden Houses).
Maximum £6.70		

The above would effect an average increase of £3.71p per dwelling per week.