

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive Committee
Date:	20th October 2014
Subject:	New Rent Policy for Social Housing and Service Charges
Portfolio Holder(s):	Councillor Kenneth P Hughes
Head of Service:	Shan LI Williams, Head of Housing Services
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Local Members:	

A –Recommendation/s and reason/s
<p>R1 Executive Committee are asked to approve the revised Rent Policy for Social Housing.</p> <p>R2 Executive Committee are asked to approve for the policy rents for 2014/15 as outlined in paragraph 2.3 be used as the basis for calculating policy rents for 2015/16.</p> <p>R3 Executive Committee are asked to give approval for the purpose of de-pooling that the current rent levels be retained.</p> <p>R4 Executive Committee are asked to approve that, in order to increase the move towards achievement of policy rent levels, these levels be applied to any property becoming void and then relet, effective from April 1st, 2015</p> <p>R5 that the the Executive Committee gives approval for the de-pooling exercise to take place with effect from April 2015.</p> <p>R6 That service charges be applied to leaseholders and freeholders of former Council properties sold under the Right to Buy in accordance with the terms of the transfer.</p>

R7 that the Executive Committee gives approval for a formal consultation of 6 weeks be carried out with tenants and leaseholders.

R8 that a further Report is presented to Executive Committee in February 2015 on proposed rent increases for 2015-2016

1.0 Background

1.1 New Rent Policy for Social Housing

Members of the Executive Committee will recall an earlier Report submitted in July 2014 outlining the Housing Revenue Account Subsidy buy-out. The Report also referred to rent reform and rent de-pooling. Both issues are discussed in this Report, and are subject to the Council voluntarily exiting the current HRA subsidy in April 2015, which will be abolished under the new Housing (Wales) Act 2014.

1.2 The context behind introducing the new rent policy is that rent policies in Wales have developed in different ways over a long period of time, thereby resulting in markedly different levels of rents across the country, and between tenures.

Welsh Government introduced a rent review, following recommendations from the Essex Report, (2008) seeking to develop a coherent and consistent rent policy framework. The rent policy framework that will apply to all social landlords, will reflect local variations in affordability, location, size and housing market values and provide for a more equitable distribution of rents for social sector tenants across Wales. In time, this should lead to the harmonisation of rents in the social sector by setting a rent threshold for specific types of property e.g two bed-roomed, three bed-roomed properties etc.

Welsh Government consulted on a new rents policy back in 2011, and following consultation, a new policy was issued to both Registered Social Landlords and Local Authorities for a further consultation in May 2012.

A review group has been established which has considered various aspects of the policy, coming to a recommendation that the new rent policy would include both general needs and sheltered housing properties. The rent policy **excludes** Extra Care Housing, supported housing, intermediate rent, and market rent housing.

1.3 The Minister for Housing and Regeneration decided that the new rent policy would be implemented by Registered Social Landlords from April 2014 and for Local Authorities from April 2015. Where a social landlord pools rents and service charges, as is the case in Anglesey, they are now required to start the process of disaggregating service charges from rent and to start this with effect from April 2015.

1.4 What this means for tenants is that some receive additional services which are over and above the service provided through rent payments. More often than not, this applies to those living in flats, or schemes which have communal areas or shared facilities. De-pooling involves separating these costs and charging them as a service charge to those who actually receive the service.

2.0 Rent policy proposals

2.1 The formula for annual rent increases has been set by the Welsh Government for the next four financial years commencing in 2015/16 and will be the consumer price index (C.P.I.) value at the previous September i.e 2014 for the next financial year plus 1.5%.

2.2 The Council's current rent levels for 3351 properties are significantly below the intended policy target rents, harmonisation will require that council housing rents which currently fall well below the policy target rents will be subject to this formula rent increase; and an additional weekly increase which is transitionally protected up to a maximum of £2 until the policy rents are attained or until the agreed average rent is reached. Currently there are a range of rent charges in place for each property type across the Island. The new policy will provide an opportunity to develop greater consistency. It is recommended that Isle of Anglesey County Council works towards one rent per size and type of property.

2.3 Comparison of Current Average Weekly Rents to Policy Rents

	Houses and Bungalows (£)					Flats(£)				Bedsits
Policy Rent	1Bed	2Bed	3Bed	4Bed	5+Bed	1Bed	2Bed	3Bed	4+Bed	
	£72.81	£80.90	£88.99	£97.08	£105.16	£65.87	£73.19	£80.51	£87.83	£58.55
Average Current Rent	£67.11	£69.71	£76.11	£79.77	£88.24	£65.82	£66.45	£73.59	Nil	£64.41

2.4 The policy for rent reform will require average weekly Council rents to be within a specified target rent band which is currently from £78.43 to a midpoint of £82.56 and to a high of £86.69. At present, the average rent for 2014/15 based on the above table is £70.08.

2.5 In future, the Council will have some discretion to determine local rents which will influence the average rent. Applying the policy rents in the above table generates an average rent of £81.82, but it will be a number of years before this level is reached. These rent reforms will increase the annual H.R.A income by a maximum of £2.2M. It should be noted that the fundamental principle of ring fencing H.R.A. income will remain in the new regime.

2.6 When re-letting void properties, it is proposed that the rent will be set to accord with the target policy rent as shown in above table which will eliminate the complication of the transitional increases.

3.0 RENT DE-POOLING

3.1 Historically, Isle of Anglesey County Council Council, like many local authorities, has included the cost of providing services to shared or communal areas in the rent that all tenants pay, irrespective of whether all tenants benefit from the services being provided. De-pooling involves separating out these costs and charging them as a service charge.

3.2 Inevitably, this “de-pooling” of charges will result in an increase in the total weekly charge for affected tenants. Work has been carried out to identify the pooled costs in order to ascertain the financial impact upon tenants. It should be noted that a number of the communal service charges will be eligible for a Housing Benefit contribution.

Some of the communal costs may also apply to leasehold flats and purchased freehold properties which were previously owned by the Council.

3.3 The Council’s proposed service charges are set out below :-

What service costs will be de-pooled?

- 1) Lift maintenance.
- 2) Cleaning of communal areas.
- 3) Fire alarms and fire equipment.
- 4) Door entry systems.
- 5) Heating & Lighting of communal areas.
- 6) TV Aerials within communal areas.
- 7) Painting of communal areas.
- 8) Management costs.

What are the likely costs going to be?

The services will be charged based on actual costs, shared equally amongst all tenants who live in a particular size and type of property. This will ensure full transparency.

Current weekly average charges, based on 51 weeks, are:

- Lift maintenance - £0.77
- Cleaning of communal areas - £0.50
- Fire alarms and fire equipment - £0.89
- Door entry systems - £0.85
- Heating & Lighting of communal areas - £0.48
- TV Aerials within communal areas - £0.26
- Painting of communal areas - £0.35
- Management costs - £0.89

3.4 Who will be affected by de-pooling

As referred to earlier in the report, de-pooling will mainly apply to those who have shared communal services and this is typically, flats. The Council has 726 flats and 61 leasehold flats. De-pooling is expected to apply to all of these properties. This is approximately 19% of the housing stock. This will be a fairer system because only those who receive additional services will pay for them - services such as door entry system, lift service and cleaning of communal areas. At present, the costs are shared by all tenants regardless of whether they receive these services.

3.5 Proposed approach to de-pooling

Although tenants will receive a separate demand for the cost of the service charge as a result of this “de-pooling” exercise, it is proposed that we do not reduce the current gross rent by the equivalent amount. As can be seen at 2.3 above, our average current rent is considerably below the Policy Rent levels for similar sized properties. These proposals would therefore see the current gross rent amounts being retained as the new core rent figure, with the annual rent increase being applied when appropriate

3.6 Consultation

These are the most significant housing changes experienced by stock retaining Local Authorities since the introduction of Housing Revenue Account in 1990. The Council will require to undertake a consultation exercise with tenants, leaseholders and other stakeholders to seek their views on the proposed changes and the likely impact upon them.

Informal discussion has taken place with tenants who are likely to be affected at various locations across the Island to include Holyhead, Llangefni, Menai Bridge, Amlwch and Beaumaris. A formal consultation with tenants and leaseholders will take place during November/December 2014.

3.7 Equalities Impact Assessment

To establish the impact of the new rent policy and service charges upon disadvantage or vulnerable tenants, an Equalities Impact Assessment will be undertaken after the consultation exercise is complete.

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

De-pooling exercise normally means that the gross rent will be reduced by the total cost of each service but as Anglesey's rent levels are well below the policy rents, it is proposed to retain the current gross rent.

C – Why is this a decision for the Executive?

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

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

All Local Authorities, as instructed by the Welsh Government under the new Rent Policy, are required to implement the new policy as from April 2015. 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 possible intervention by the Welsh Government if not adopted.

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)	No comment
3	Legal / Monitoring Officer (mandatory)	No comment
4	Human Resources (HR)	No comment
5	Property	
6	Information Communication Technology (ICT)	Collection of the service charges will be dependent on the successful implementation of the service charge IT module from our software providers.
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

F – Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	Those who do not qualify for Housing Benefit, and are on low incomes will be impacted by any rent increases above inflation and the introduction of service charges. Support will be offered to any Tenant who needs it from Welfare Advice services.
3	Crime and Disorder	Tenants and leaseholders may request additional services as a result of consultation to mitigate and reduce the effects or perceived effects of crime and disorder.
4	Environmental	No direct environmental impacts, from proposals outlined within this report

5	Equalities	All tenants will be affected by the rent policy and the tenants living in properties with communal areas or communal facilities will be affected by the introduction of service charges.
6	Outcome Agreements	n/a
7	Other	<p>An initial communication event has already been held across the Island, which has been supported by an article within the current issue of Môn Voice Tenants magazine.</p> <p>Full consultation will be undertaken with all tenants affected by the introduction of service charges. This will take place over a 6 week period and will be on a scheme by scheme basis – which will give full opportunity to discuss proposed charges with all tenants. The consultation will also address service quality and tenant expectations of the services they will be charged for. By consulting on a scheme by scheme basis, decisions about service frequency and standards expected and whether to continue or introduce new services will be agreed by a majority decision. This Report will also be shared with the Môn Tenants Voice, Tenants Panel. Initial information sharing sessions have already been held with Tenants during the summer months.</p>

FF - Appendices:

G - Background papers (please contact the author of the Report for any further information):
Welsh Government Guidelines: New Rent Policy for Social Housing