

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>Executive Committee</b>
<b>Date:</b>	<b>9<sup>th</sup> February 2015</b>
<b>Subject:</b>	<b>Housing Rent HRA and Housing Service Charges 2015 - 2016</b>
<b>Portfolio Holder(s):</b>	<b>Councillor Kenneth P Hughes</b>
<b>Head of Service:</b>	<b>Shan LI Williams, Head of Housing Services</b>
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<b>Local Members:</b>	

<b>A –Recommendation/s and reason/s</b>
<p>Members of the Executive Committee are asked to approve rent increase for 2015/16 as set out below :-</p> <p><b>R1</b> to approve increasing all rents below target rent of between £0.01 - £4.40 immediately to target rent.</p> <p><b>R2</b> to approve increasing all rents below target rent of between £4.41 - £21.00 per week by 2.7% plus £2 per week.</p> <p><b>R3</b> to approve reducing the current rents above target rent of between £0.01 - £2.00 per week immediately to target rent.</p> <p><b>R4</b> to approve increasing the current rent above target rent of between £2.00 - £21.00 per week by 2.7% minus £2 per week.</p> <p><b>R5</b> to approve an increase of 36p per week on garage rents.</p> <p><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.</p> <p><b>Reasons</b></p> <p><b>1.0 Background</b></p> <p><b>1.1</b> Members of the Executive Committee will recall earlier reports submitted in July and October 2014 outlining the Housing Revenue Account Subsidy buy-out and the New Rent Policy for Social Housing and Service Charges.</p>

**1.2** The New Rent Policy for Social Housing and the de-pooling of service charges are required to be implemented from April 2015 for all Local Authorities in Wales.

**1.3** The formula for annual rent increases has been set by the Welsh Government for the next four financial years and will be the consumer price index (CPI) value at the previous September plus 1.5%. In September 2014 CPI was 1.2% thereby giving a total of 2.7% for 2015/2016.

**1.4** The Council's current rent levels are significantly below the intended policy target rents and harmonization with other social housing providers will require that council housing rents which currently fall below the policy target rents will 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** Using the Welsh Government formula for rent increases under the New Policy the proposed rent increase for 2015/16 is 2.7% or an average weekly increase of £1.95. This will increase the average weekly rent from £72.36 to £74.31 which is still below the policy rent band. For the 3508 properties which currently fall below the policy target rents, there will be an additional weekly increase of up to £2. The maximum average weekly rent increase will therefore be £3.95 per week.

**2.2** For the properties which are significantly below the policy target rent, in order to move towards the target rent for these properties, it is proposed to increase the current rents by two methods as follows :-

1) For 270 properties where the difference between the current rent and the target rent is between £0.01 to £4.40 per week, the current rent will be increased immediately to target rent.

2) For the 3288 properties where the difference between the current rent and the target rent is between £4.41 to £21.00 per week the current rent will be increased by the formula 2.7% + £2 per week.

**2.3** The Council has a total of 290 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 than 2.7%. We propose to use two different methods to reduce the rate of the rent increases for these properties:-

- 1) For the 123 properties we currently have where the difference between the current rent and the target rent is between £0.01 to £2.00, the current rent will be reduced immediately to target rent. This will reduce our annual rental income by a total of £3,000.
- 2) For the 167 properties where the difference between the current rent and the target rent is more than £2 per week we will use the formula of 2.7% increase minus £2 per week. This will increase our annual rental income by £4,000.

**2.4** Using these methods will move the Authority towards achieving the target rent at a quicker rate and provide an opportunity to develop greater consistency in rent levels currently charged. The new rent policy will generate an annual rental income of approximately £14.5m for the Authority.

## **2.5** Comparison of Current Average Weekly Rents to Policy Rents

	<b>Houses and Bungalows (£)</b>					<b>Flats(£)</b>				<b>Bedsits</b>
	<b>1Bed</b>	<b>2Bed</b>	<b>3Bed</b>	<b>4Bed</b>	<b>5+Bed</b>	<b>1Bed</b>	<b>2Bed</b>	<b>3Bed</b>	<b>4+Bed</b>	
<b>Policy Rent</b>	<b>£75.28</b>	<b>£83.64</b>	<b>£92.00</b>	<b>£100.37</b>	<b>£108.73</b>	<b>£68.11</b>	<b>£75.67</b>	<b>£83.24</b>	<b>£90.81</b>	<b>£60.54</b>
<b>Average Current Rent</b>	<b>£67.11</b>	<b>£69.71</b>	<b>£76.11</b>	<b>£79.77</b>	<b>£88.24</b>	<b>£65.82</b>	<b>£66.45</b>	<b>£73.59</b>	<b>Nil</b>	<b>£64.41</b>

**2.6** The new Welsh Government Rent Policy does not provide any guidance on how to increase garage rents. In order to fully recover the cost of maintaining and improving the standard of our garages a full assessment is required and this is envisaged to take place during 2015/16.

**2.7** The Council is therefore proposing to increase the garage rent by 36p per week which is the same amount as the increase for 2014/15 until the assessment is carried out. This will increase the rent from £7.05 per week to £7.41 and will generate income of £216k after deducting voids. As at 11<sup>th</sup> January 2015 there are 195 void garages.

**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 Rent De-pooling**

**3.1 Historically**, Isle of Anglesey Council has included the cost of providing shared services in the rent that all tenants pay. Under the WG New Rent Policy of Social Housing, the Council is required to separate these costs and charge only those tenants that receive the services, a service charge.

**3.2** Work has been carried out to identify the pooled costs and ascertain the financial impact on affected tenants. It should be noted that the majority of these costs are eligible for housing benefit.

**3.3** 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 average weekly charges, based on 51 weeks, are:

Lift maintenance - £0.77

Cleaning of communal areas - £2.63

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** Currently there are 64 leaseholders who will be charged for the services they receive by the Authority. This will generate an additional annual income of approximately £11k.

**3.5** As Members will recall from previous reports it is proposed that we do not reduce the gross rent before applying the service charge as our current rents are already significantly below the policy target rents.

### **4 Housing Benefit**

**4.1** Currently 2,760 of the Council's tenants (73%) will face no additional hardship as a consequence of the proposed rent increase, as they are in receipt of Housing Benefit. Tenants who are not in receipt of housing benefit will have to meet the increase in rent, unless of course they become eligible for benefit, following the rent increase.

**4.2** De-pooling of service charges will mainly apply to those who have shared communal service and this is typically flats and sheltered dwellings. The Council has 726 flats and over 300 sheltered properties that will be affected. It should be noted that 63% (700) of the current tenants are in receipt of housing benefit and will face no additional hardship as a consequence of the proposed service charges.

**4.3** In anticipation of the Government's Welfare Benefit Reform the provision for bad debts has therefore been increased to £86k for 2015/16 as we expect arrears will increase when tenants have to meet a greater proportion of rent themselves. We understand that Universal Credit is due to be introduced to some claimants during 2015 – 2016 in Anglesey. 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 HRA income and business plan.

**4.4** Housing Services has a Financial Inclusion Officer developing links and improving 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. In addition, Shelter Cymru have been awarded a 12 month contract to provide debt advice within Housing Service and will commence imminently. This will provide the support required for tenants to manage their debts.

## **5.0 Consultation on Rent Reform and Service Charges**

**5.1** A consultation period ran from 3 November to 12 December 2014 comprising a postal and online survey; drop in sessions, door to door, and two question and answer sessions. The total number of response was 458 or 12% of tenants.

**5.2** Tenants were asked whether they agreed with the Council setting an average rent of £81 per week. More than half (66%) felt that this was too high whilst 18% agreed that this was right. A further 12% replied that they didn't know. We believe that this question was not fully understood by tenants. When staff explained to respondents during face to face consultation meetings it was soon realized that the wording of the question could have been made clearer. A greater number of respondents therefore may have misunderstood it to mean that all rents would increase to £81.00 per week. This was later explained in more detail to the tenants during the consultation process.

- 5.3** Tenants were asked whether an additional £2 per week was a reasonable amount to move towards achieving target rent. Tenants were equally split on whether £2 was reasonable or too high, both at 42%. An additional 2% thought that £2 was too low. A further 13% replied that they didn't know. In view of these results we believe our proposed approach of increasing rents by up to £2 per week above the inflation increase is acceptable to tenants.
- 5.4** We also asked what should happen where rents are above the average rent. 41% thought rents should be reduced to the average from April 2015, 21% thought rents should remain the same and 20% thought that these rents should be reduced gradually over time. A further 18% did not know or did not answer the question. Again tenants are equally split between reducing rents immediately and not, therefore we believe our proposed approach of reducing rents gradually will be acceptable to tenants.
- 5.5** Tenants were asked what should happen when properties become vacant. 53% thought that rents should be increased gradually, 41% thought rents should be at the new rent level, A further 6% did not answer the question. We therefore believe that our proposed approach of moving to the target policy rent when properties become vacant is fair as the prospective tenant has a choice of whether to accept the property at the rent it is being offered.
- 5.6** Tenants were asked what should happen where current tenants move to a different council property. 58% thought rents should be increased gradually, 35% thought rents should move to the new rent level. A further 7% did not know or did not answer the question. In view of these results we believe our proposed approach of increasing rents gradually is acceptable to tenants.
- 5.7** Tenants were asked whether garage rents should be increased so the amount raised would cover the cost of maintaining the garages. 47% agreed, 23% disagreed, 24% did not know and 6% did not answer the question. We therefore believe that our proposed approach of increasing garage rents to cover the cost of maintaining the garages will be acceptable to tenants.

- 5.8** Tenants were asked about whether they agreed with specific services being charged as a service charge. For the majority of services the numbers agreeing or disagreeing were evenly split (less than 5% difference between those agreeing and disagreeing). There were also a significant number of respondents answering don't know. Thirteen out of the seventeen services asked about there were more than 20% answering don't know.
- 5.9** Tenants were asked about whether service charges should be introduced in April 2015. 43% disagreed, 29% agreed. There were also a significant number of respondents answering don't know or did not answer the question (28%). The Welsh Government requires Local Authorities to begin de-pooling service charges from April 2015 and to have completed de-pooling by March 2016.
- 5.10** Tenants were asked about whether service charge should be charged to leaseholders and freeholders. 55% disagreed, 18% agreed. 27% did not know or did not answer the question. Despite this, we believe that it is fair that leaseholders and freeholders who receive the benefits of a service provided by the Authority, contribute towards the cost of the service and we propose to charge where we are legally able to do so.
- 5.11** Finally tenants were asked to rate improvements they would like to see to the housing service. Top priority was improvements to existing properties (54%), buying or building more homes (46%), Improving estates (30%) and improving how we look after our housing on a day to day basis (28%). We believe that these priorities are reflected in the proposal to maximize income in order to continue to improve existing homes and provide more affordable housing in the future.

The response has been used to inform the development of our latest HRA Business Plan 2015 – 2045 and will be presented to the Executive Committee on the 9<sup>th</sup> of February 2015.

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

With regards to the number of properties above target rent, different financial scenarios such as inflation increases and reduced by 50p, £1 and £1.50 per week were considered and it was decided that the proposed method used is the most fair and consistent for all tenants affected.

**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?**

All Local Authorities, as instructed by the Welsh Government under the new Rent Policy, are required to implement the new policy 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

<b>E – Who did you consult?</b>		<b>What did they say?</b>
1	<b>Chief Executive / Strategic Leadership Team (SLT)</b> (mandatory)	
2	<b>Finance / Section 151</b> (mandatory)	Supportive of the report
3	<b>Legal / Monitoring Officer</b> (mandatory)	No comment
4	<b>Human Resources (HR)</b>	
5	<b>Property</b>	No comment
6	<b>Information Communication Technology (ICT)</b>	
7	<b>Scrutiny</b>	
8	<b>Local Members</b>	
9	<b>Any external bodies / other/s</b>	

**F – Risks and any mitigation (if relevant)**

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



**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  
Notification letter 2015 – 2016  
Copy of final Rent Policy Tables 1 – 4 2015 – 2016