

<b>Isle of Anglesey County Council</b>	
Report to:	<b>The Executive</b>
Date:	<b>12<sup>th</sup> December 2023</b>
Subject:	<b>Housing Rent HRA and Housing Service Charges 2024/25</b>
Portfolio Holder(s):	<b>Councillor Gary Pritchard</b>
Head of Service / Director:	<b>Ned Michael, Head of Housing Services</b>
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Local Members:	

#### **A – Recommendation/s and reason/s**

Following the Welsh Government’s announcement of an increase of up to 6.7% in social rent levels Members of the Executive Committee are asked to approve the rent increase and service charges for 2024/25 as set out below :-

- R1** to approve the rent increase of 6.7% on all general rent units in line with the Welsh Government rent policy on collection over 52 weeks.
- R2** to approve an increase of 63p per week for the rent of all garages.
- R3** to approve that the service charges costs as noted within section 6.3 of the report be applied to all tenants who receive the relevant services.
- R4** to approve the administration of the ‘Rent Support Scheme’, a local scheme to support tenants who self-pay their rent.

## 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** As the CPI for September 2023 was 6.7% which falls outside the range of 0% to 3% and therefore means current annual rent uplift of CPI + 1% does not apply, the Minister with responsibility for Climate Change will determine the appropriate change for Social Housing Rents for 2024/25.

**1.3** The Minister has determined that the total maximum annual rent uplift across the whole of the stock will be **up to 6.7%**, i.e inflation level as reported for September 2023.

**1.4** Whilst 6.7% will be the maximum increase allowable, it is expected that the Authority's decision on rent increase **must** consider the needs of landlords and affordability of rents for tenants equally.

**1.5** It is the ambition of the Welsh Governments that all Registered Social Landlords including the 11 local authorities that have retained their housing stock commit to meeting to the SATC2 standards recently launched by 2033. It will require significant investment from the HRA to fund over the next 8 years to realise these expectations, we will continue to receive the Significant Repair Allowance of approximately £2.7m from the Welsh Government but our rental income will have to be maximised if these expectations are to be realised.

**1.6** It is also expected of the Welsh Government that all RSLs in Wales continue to increase the number of new affordable social homes being developed to fulfil their ambition of 20,000 new homes. Over the past 3 years the Housing Service has completed the development of 90 new homes and purchased 41 former Council houses. In addition to this we have a development programme of 39 new homes on site and are in the process of planning the development of an Extra Care Housing Scheme in Menai Bridge.

**1.7** We trust that the above justifies the means case to be maximising our rental income in order to meet the aspirations of the Welsh Governments which includes the need to ensure a suitable flooring finish in our homes which is going to be increasing our costs when re-letting homes.

**1.8** As part of the Welsh Government's rent standard, all Social Landlords are required to make an annual assessment of affordability for tenants, cost efficiency and demonstrate that their homes and services represent value for money.

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### 1.9 Rent Agreement Commitments and Initiatives

As part of the consideration process for this settlement, a number of new commitments and initiatives have been set by Welsh Government which include :-

- No evictions due to financial hardship for the term of the settlement where tenants engage with landlords.
- Provide targeted support to those experiencing financial hardship to access support.
- Maximise the use of all suitable social housing stock, with a focus on helping those in the poorest quality transitional accommodation move into longer term homes that meet their needs.
- Continued commitment to invest in existing homes to keep them safe, warm and affordable to live in.
- 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 2024 for publication in April.

**1.10** Intermediate Rent - the Minister for Climate Change has agreed an interim position that landlords may offer Intermediate Rent tenancies at 80% of market value as long as they continue to consider and pay due attention to Local Housing Allowance rates. In all cases, landlords must be satisfied that these tenancies are still affordable for tenants.

### 2.0 Affordability

**2.1** In order to assess the current average rent affordability for Isle of Anglesey County Council tenants, the Joseph Rowntree Foundation (JRF) Living Rent methodology has been used. The results for 2023/24 are based on property and bedroom types as follows :-

Property Type	No. of Bedroom	Start Factor	Adj Factor	JRF Living Rent	IOACC Ave weekly rent
Bedsit	Bedsit	1.00	0.9	£78.41	£76.48
Flat	1 Bed	1.00	1	£87.12	£86.07
Flat	2 Bed	1.00	1.2	£104.54	£95.29
Flat	3 Bed	1.00	1.3	£113.26	£104.97
Flat	4 Bed	1.00	1.4	£121.97	£114.71
Bungalow	1 Bed	1.00	1.1	£95.83	£95.06
Bungalow	2 Bed	1.00	1.3	£113.26	£103.98
Bungalow	3 Bed	1.00	1.4	£121.97	£113.20
Bungalow	4 Bed	1.00	1.5	£130.68	£126.79
House	1 Bed	1.00	1.1	£95.83	£95.19
House	2 Bed	1.00	1.3	£113.26	£105.22

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House	3 Bed	1.00	1.4	£121.97	£112.37
House	4 Bed	1.00	1.5	£130.68	£119.92
House	5+ Bed	1.00	1.6	£139.39	£128.64

**2.2** The JRF Living Rent model establishes a link between rents and the ability of people on low income to afford them, using the lower quartile localised earnings data from the Office for National Statistics Annual Survey of Hours and Earnings.

**2.3** The model states that a Living Rent should be affordable for a household with someone in full-time employment, working the average number of hours worked per week and earnings around the minimum wage. The model therefore uses the lower quartile national earnings figures.

**2.4** The lowest quartile earnings for Anglesey are £343.79 gross per week (2022 figures ASHE 25<sup>th</sup> percentile earnings) or £17,877 per annum.

**2.5** A salary calculator converts this to a net annual earnings of £16,178 by calculating tax and NI deduction using 2023 tax rates. This is equivalent to £311.13 per week (net).

**2.6** The principle of JRF model states that 28% of these net weekly earnings (lowest quartile) is therefore £87.12 per week, meaning a person on social rent should not be paying more than £87.12 per week on rent for a single person in a one bedroom flat.

**2.7** Weightings are necessary to reflect the different composition of our property types and sizes :-

Property Category	Factor	No. of bedroom	Factor
Bedsit	-0.10	Bedsit	0.00
Flat	0.00	1 Bed	0.00
Bungalow	0.10	2 Bed	0.20
House	0.10	3 Bed	0.30
		4 Bed	0.40
		5+ Bed	0.50

**2.8** Using the JRF methodology shows that the average rent for all property types and sizes is currently considered affordable for Anglesey tenants and therefore complies with Welsh Government requirements.

**2.9** If we calculate the affordability based on the inflation rate of 6.7% there are three categories that would be deemed slightly unaffordable. These would be one bedroom flat, one bedroom bungalow and one bedroom house :-

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Property Type	No. of Bedroom	Start Factor	Adj Factor	Living Rent	IOACC Ave weekly rent	Rent + 6.7%
Bedsit	Bedsit	1.00	0.9	£82.35	£76.48	£81.60
Flat	1 Bed	1.00	1	£91.50	£86.07	£91.84
Flat	2 Bed	1.00	1.2	£109.80	£95.29	£101.67
Flat	3 Bed	1.00	1.3	£118.95	£104.97	£112.00
Flat	4 Bed	1.00	1.4	£128.10	£114.71	£122.40
Bungalow	1 Bed	1.00	1.1	£100.65	£95.06	£101.43
Bungalow	2 Bed	1.00	1.3	£118.95	£103.98	£110.95
Bungalow	3 Bed	1.00	1.4	£128.10	£113.20	£120.78
Bungalow	4 Bed	1.00	1.5	£137.25	£126.79	£135.28
House	1 Bed	1.00	1.1	£100.65	£95.19	£101.57
House	2 Bed	1.00	1.3	£118.95	£105.22	£112.27
House	3 Bed	1.00	1.4	£128.10	£112.37	£119.90
House	4 Bed	1.00	1.5	£137.25	£119.92	£127.95
House	5+ Bed	1.00	1.6	£146.40	£128.64	£137.26

**2.10** In addition to the affordability assessment that was carried out, we also conducted an online survey between 8<sup>th</sup> November 2023 and 20<sup>th</sup> November 2023. The intended outcome of this survey was to tell us if our tenants believed that their rent is fair, affordable and if the service they receive is value for money. We want to make sure that our rents are fair and affordable for current and future tenants.

**2.11** A total of 779 (19%) surveys were returned and our target audience was to reach as many tenants who were not in receipt of any benefits that contributed towards paying for their rent as any possible changes made to rent increases would mostly affect the working class that are not entitled to benefits.

**2.12** One of the key questions within the survey was “We want to make sure that our rents are fair and affordable for current and future tenants. Do you think your rent is affordable?”. Over 82% of tenants agreed that our rents are affordable and 18% disagreed.

**2.13** In addition to the above, over 61% of surveys were completed by tenants working full time which shows that the survey targeted the tenants who were potentially not eligible for housing benefit or universal credit support.

### 3.0 Impact of rent increases on our tenants

**3.1** The annual rent increase will be calculated by ‘Current Rent + 6.7%’ for all tenants.

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**3.2** Currently 2881 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 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.

**3.3** Applying the 6.7% increase will provide a range of increase between the £5.12 per week and £9.26 per week for all tenants.

1609 increase between £5.12 - £6.99

2336 increase between £7.00 - £8.99

10 increase between £9.00 - £9.26

**3.4** There are approximately 1092 tenants who are not receiving any help towards their rent and are therefore, paying the rent in full. The implementation of these increases will mean :-

378 increase between £5.12 - £6.99

712 increase between £7.00 - £8.99

2 increase between £9.00 - £9.26

**3.5** If we apply the 6.7% rent increase and collect over 52 weeks to take account the rent free week over the Christmas period. We will generate an annual rental income of £22.9m which is approximately £1.85m of additional annual rental income.

**3.6** Due to the impact of the Government's Welfare Benefit Reform and the impact of the Cost of Living crisis the provision for bad debts has therefore been increased to £344,492 (1.5%) for 2024/25 as we expect arrears will increase when tenants have to meet a greater proportion of rent themselves.

### **4.0 HRA 30 year Business Plan**

**4.1** In the 30 year plan published in March 2023 the Council demonstrated that we are ambitious by providing more affordable housing together with extra care housing. Therefore, it is imperative that we maximise the rental income to be able to develop and increase the stock.

### **5.0 Financial Support for tenants**

**5.1** Housing Services has a Financial Inclusion team which consists of three Financial Inclusion Officers available to provide information, advice and support to tenants who are self-paying and who would face any financial hardship as a result of implementing the increase.

**5.2** The Council will also set aside a 'Rent Support Scheme' fund which is a local scheme for tenants who self-pay rent in full and may be in financial difficulty as a result of the increase.

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**5.3** Households deemed to need assistance with their rent will be able to apply to or be referred to the Rent Support Scheme.

### **6.0 Service Charges**

**6.1** The charges for services that the Authority provides during 2024/25 are based on actual costs incurred during 2022/23 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.

**6.2** 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 £180k.

**6.3** Proposed 2024/2025 weekly charges, based on 52 weeks, are:

Lift maintenance - £0.12 - £0.73

Cleaning of communal areas - £3.52 – £5.99

Fire alarms and fire equipment - £0.81

Door entry systems - £0.31

Sewerage Charges - £4.11

Heating & Lighting of communal areas - £1.27

TV Aerial's within communal areas - £0.21

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.

**6.4** Currently there are 41 leaseholders who will be charged for the services they receive by the Authority. This will generate an additional annual income of approximately £4k.

### **7.0 Garages**

**7.1** 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 6.7% which will increase the rent by 0.63p. This will increase the rent from £9.39 per week to £10.02 and will generate income of £268k after deducting empty garages. As at 10<sup>th</sup> November 2023 there are 154 empty garages.

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

**C – Why is this a decision for the Executive?**

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

**C – Why is this a decision for the Executive?**

**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.

**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 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.	An online survey was conducted to engage with tenants and receive their views on rent affordability & rent setting. Tenants are informed annually of rent & service charges increase post-democratic approval in December. Tenants are provided with 2 months 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 to all tenants means we will apportion the increase fairly and limit the individual increase per tenant.



Dd – Assessing the potential impact (if relevant):		
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)	
2	Finance / Section 151 (mandatory)	
3	Legal / Monitoring Officer (mandatory)	
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Procurement	
8	Scrutiny	
9	Local Members	

F - Appendices:

Ff - Background papers (please contact the author of the Report for any further information):
WG Notification letter 2024/2025 Rent Support Scheme Policy