



**POLICY AND RESOURCES SCRUTINY COMMITTEE –
21ST JANUARY 2014**

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2014-2015

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER

1. PURPOSE OF REPORT

1.1 For Members to agree the increased charges which are to be effective for the Housing Revenue Account in 2014-15.

2. SUMMARY

- 2.1 Members will be aware that the preparation of the Housing Revenue Account (HRA) budget is quite separate to the work involved in setting the General Fund Budget and Council Tax. There are a number of issues which impact upon the HRA that are outside the Council's control.
- The Welsh Government (WG) determines the annual guideline rent increases. The standard uplift policy for Local Authorities used to be based on the previous September RPI plus a 2% real increase in support of rent convergence. The Minister for Housing and Regeneration has recently changed this uplift policy as part of the new Policy for Social Housing Rents. The new rent policy will apply to Registered Social Landlords (RSL's) from April 2014, and local housing authorities from April 2015 (subject to the exit from the HRA Subsidy system).
 - The new uplift policy will now use the previous September CPI inflation figure (as opposed to the RPI inflation figure) and also apply a 1.5% real increase to the average local authority guideline rent. The previous September CPI inflation figure is 2.7% so the average Welsh increase proposed by WG is 4.2%. Unfortunately, final figures from WG, which includes Caerphilly's individual guideline rent, are yet to be confirmed but in order to ensure the Councils business plan remains viable, an increase of 4% is necessary.
- 2.2 In order to meet the deadlines for advising tenants of increases in rents and other charges, the increases have to be determined and fully agreed by 17th February 2014. All charges must be formally agreed by this date or it will not allow sufficient time for notice of increase to tenants, which is a legal requirement, and this would result in a weekly loss of £34k in rent, excluding other charges.
- 2.3 All charges including the original guideline rent increases are highlighted within this report detailing the amount of additional income that would be generated if the proposed increases were implemented, along with the percentage of service users receiving benefit. The proposed increased charges are in line with the Housing Business Plan.

3. LINKS TO STRATEGY

- 3.1 The recommendations within this report provide the council with additional income that will be utilised to supplement existing funding arrangements to provide management, repair and improvement of the housing stock. This funding is used to maximize the resources available to assist in meeting and maintaining the Welsh Housing Quality Standard (WHQS). The rent increase is applied equally to all tenants. The report therefore links to the following strategic objectives:
- Improving Lives and Communities: Homes in Wales (Welsh Government, 2010) which sets out the national context on meeting housing need, homelessness and housing related support services.
 - Caerphilly Delivers (Single Integrated Plan 2013: P2 “improve standards of housing and communities, giving appropriate access to services across the county borough”.
 - IO5: Investment in Council homes to transfer lives and communities (WHQS)
 - People, Property and Places: A Local Housing Strategy for Caerphilly County Borough (2008/2013) Strategic Aim 6 – *Our aim is to provide good quality, well managed homes in communities where people want to live, and offer people housing choices which meet their needs and aspirations.*

4. THE REPORT

4.1 Rent Increase

- 4.1.1 For a number of years the WG have effectively determined the level of annual rent increases. As a result of the housing benefit limitation scheme, rent increases above Assembly guidelines do not produce extra income from tenants in receipt of housing benefit. This continues to be the case for 2014/15 even though rent rebate expenditure is no longer part of the HRA. Approximately 72% of tenants are in receipt of housing benefit.
- 4.1.2 The WG initial draft proposal for 2014/2015 of 4.2% as an All Wales average, is equivalent to a 3.75% increase for Caerphilly, but in order to meet the resources required in the Council’s Business Plan, and to prepare for the new Rent Policy in 2015/16, a 4% increase is advised which remains within WG guidelines (£3.12 on a 48 week basis). Based on our current average rent, this equates to just over £1.6 million (excluding voids) of additional rental income. Only draft details have been provided at this stage by WG of the guideline rent increases for each Authority. Any update will be reported at the Scrutiny Committee meeting. The impact on the housing subsidy charges for 2014/2015 cannot be completed as yet because the final notifications are yet to be confirmed from the WG. However, this should be the last year of operating within the subsidy system as the WG are currently in negotiations with the Treasury to buy out of the system.
- 4.1.3 The current average rent is £78.02 and an increase of £3.12 would raise this to £81.14 (on a 48 week basis).
- 4.1.4 The Stock Condition Survey carried out in 2008 reported that high levels of investment are required to maintain the properties and meet the Welsh Housing Quality Standard. A rent increase less than 4% would inevitably reduce the Council’s ability to manage and maintain the housing stock to the necessary standards, and it should be noted that failure to implement these increased charges would increase the shortfall in resources identified in the Housing Business Plan required to meet the WHQS by 2019/20 and maintain it thereafter.

4.2 Service Charges at Sheltered Complexes (excluding utility charges)

4.2.1 This is applied to warden assisted sheltered accommodation, of which there are three types:-

- Complexes with warden assistance and communal facilities (960 units)
- Complexes with warden assistance and no communal facilities (133 units)
- Tredegar Court extra care scheme (25 units)

4.2.2 Members will be aware of the recent review of the Sheltered Housing service. The final report was submitted to Caerphilly Homes Task Group on 5th September 2013. The recommendations were approved and confirmed by the Housing Cabinet Sub-Committee for implementation from 9th September 2013. These recommendations included the following:-

4.2.3 *To meet the requirement to assess the housing related support needs of each tenant the introduction of a 'banded' service be approved with costs reflecting the varying levels of support provided.*

4.2.4 Tenants currently pay a flat rate of £22.14 as a weekly service charge and £3.10 for the community alarm service over 48 weeks. From April 2014, the weekly service charge will be divided into a support and non-support charge. Housing related support charge will be based on each individual tenant's assessed need in accordance with the banded system. This charge will include the weekly alarm charge and those tenants eligible for Supporting People funding will have this cost met by SP funding.

4.2.5 It is proposed that the housing management (non support) charge be increased by 2% from April 2014 and the revised costs are shown in the table below:

Charge per week	Support Charge (including the alarm charge £	Service Charge (Non support) Based on current service charge payable for 2013/2014 £	Total Costs £
Bronze Band (Baseline Service for everyone)	4.60	22.14 + 2%	27.18
Silver Band	7.00	22.14 + 2%	29.58
Gold Band	10.50	22.14 + 2%	33.08

4.2.6 73% of tenants who receive these services are in receipt of housing benefit and therefore do not pay the Non Support element of this charge. The Support element of this charge for those in receipt of housing benefit will be met by Supporting People.

4.2.7 The additional income generated from this increase is unknown at this stage as tenants need to be individually assessed to determine their banding. It is anticipated that 60% will be assessed as Bronze band, 30% Silver band and 10% Gold band. On this basis additional income would be generated of some £150k which would offset the current subsidisation of the service.

4.2.8 *The four sheltered housing schemes without communal facilities be re-classified and tenants be formally consulted in accordance with legal requirements where a variation of tenancy terms and conditions are planned;*

- 4.2.9 The formal consultation has been completed and a notice of variation of tenancy has also been sent out to all tenants in these schemes to confirm that they will be re-designated as older persons from 1st April 2014. Tenants in these schemes will pay a reduced service charge (which will include an alarm and support charge) from 1st April 2014. The support charge will be £4.60 (bronze band) and the non-support element will be £5.40.
- 4.2.10 It is proposed that the current charge of £15.37 be reduced to £10.00 per week over 48 weeks a year. The reduced charge will result in a loss of income of £34k
- 4.2.11 80% of tenants who receive this service are in receipt of benefit and therefore do not pay the Non Support element of this charge. The Support element of this charge will be met by Supporting People.

4.3 Tredegar Court Extra Care Scheme service charge

- 4.3.1 The Extra Care Scheme was not included as part of the sheltered review but it is intended to be reviewed in the near future.
- 4.3.2 Charges
The current charge is £61.50 per week and it is proposed to increase by 2% to £62.73 in line with the Councils current business plan.
- 4.3.3 Tenants in receipt of benefit
62% of tenants who receive this service are in receipt of benefit and therefore do not pay the charge
- 4.3.4 Financial Impact
The proposed increase would generate additional annual income of £1.5k.

4.4 Meal Charges (Tredegar Court only)

- 4.4.1 Charges
Residents of Tredegar Court receive a hot 2-course meal at a cost of £4.46 per day. This is equivalent to a weekly charge of £31.24 or £33.84 when collected over 48 weeks. Catering DSO currently provide the service to the HRA.
- 4.4.2 Meal charges at similar extra care schemes are substantially higher e.g. Cefn Glas £7.91 per meal and Plas Hyfryd £7.53 (11/12 price) per meal (based on 48 week equivalent).
- 4.4.3 It is proposed to increase the charge by 2% in line with the Councils current business plan, which is equivalent to £34.52 per week, based on a 48-week collection or £4.55 per day.
- 4.4.4 Tenants in receipt of benefit
62% of tenants who receive meals are in receipt of housing benefit and will only pay a non-eligible amount of £17.65 per week.
- 4.4.5 Financial impact
The proposed increased would generate additional income of around £1k which would be passported to the Catering DSO for providing the service.

4.5 Utility charges at sheltered complexes

- 4.5.1 Charges
- 4.5.2 This applies to tenants in sheltered schemes where one gas and electric meter supplies the whole complex, as it is logistically impossible to supply each tenant with their own meter. There are also however, certain schemes included where tenants have their own gas and electric meters but historically it has been agreed that tenants pay a unified utility charge.

- 4.5.3 As part of the sheltered review mentioned in 4.2 above, it has been agreed that sheltered tenants who have their own meters will now be responsible for paying their own bills.
- 4.5.4 Sheltered tenants who are on a single/shared meter will pay actual costs based on the total costs for the previous financial year, which will be recharged retrospectively in September each year.
- 4.5.5 All affected tenants have been made aware of these changes and the majority of tenants are now operating under the new policy, with a small number due to be completed shortly.
- 4.5.6 The charges will therefore not form part of this report in the future.

4.6 Guest Room

4.6.1 Charges

A number of sheltered housing schemes have guest rooms and the charge to visitors is £18.00 per night. It is not proposed to increase this charge this year as the charge is similar to other providers

4.6.2 Tenants in receipt of benefit

Guest room charges do not apply to tenants, and are not eligible for housing benefit.

4.6.3 Financial impact

No additional income will be generated.

4.7 Temporary accommodation at Ty Croeso

4.7.1 Charges

The Authority has some accommodation of its own to assist persons made homeless and a high level of support is provided on site to tenants. Ty Croeso is currently undergoing a change of use to single person's accommodation and was closed during 2013/14. Ty Croeso is expected to re-open in April 2014 but will be managed by an external support provider, The Wallich. The rent and service charge will be built into the management agreement, but has not yet been agreed.

4.7.2 Tenants in receipt of benefit

It is anticipated that the majority of tenants using this facility will be in receipt of Housing Benefit.

4.7.3 Financial impact

The rent and service charge that will be set by The Wallich would ensure the costs of providing the high level support on site and maintaining the facilities are funded. The proposed charges are likely to be significantly lower than an alternative Bed and Breakfast placement. As Ty Croeso is owned by the Council it is exempt from the Housing Benefit subsidy rules and the service charge is therefore 100% recoverable.

4.8 Community Alarm Charges

4.8.1 In April 2011 the administration and provision of part of this service transferred to the Directorate of Social Services and the responsibility of managing the sheltered and group schemes remained with Housing.

4.8.2 As part of the sheltered review, the sheltered schemes will have the cost of the alarms included in their service charge as mentioned in 4.2 above.

4.8.3 Group schemes are currently going through a process of decommissioning and a lifeline arrangement option can be taken up with Social Services for those tenants who wish to continue to use the service. It is anticipated that the decommissioning will be completed by June 2014 and it is therefore proposed that there be no increase applied to the £3.10 weekly

charge during this transition period.

- 4.8.4 For those tenants who choose a dispersed alarm service, the weekly charge from 1st April 2014 will be set by Social Services as the department responsible for delivering the lifeline service.

4.9 Garage Charges

- 4.9.1 The Council has 1266 garages, of which 794 are let (74% are let to non-council tenants, 26% are let to council tenants). The current weekly rent is £7.50 and it is proposed to increase the charges by 2% in line with the Council's current business plan to £7.65 per week. A report has been approved by the Caerphilly Homes Task Group which recommends proposals to improve and rationalise our garage stock which will affect our future income but also our ongoing liabilities in respect of maintenance and repairs.

4.9.2 Tenants in receipt of benefit

Garage rents are not eligible for benefit and the majority of garage tenants are not council house tenants.

4.9.3 Financial impact

The increase will generate additional income of 9k.

5. EQUALITIES IMPLICATIONS

- 5.1 Equalities monitoring of tenants will continue to be an important source of information in order to ensure fairness, and also to highlight any direct impact the increases have on tenants who fall under one or more of the Strategic Equality Plan's protected characteristics. Any direct impact noted can lead to additional support and advice being offered or signposted in order to help those particular tenants.

6. FINANCIAL IMPLICATIONS

- 6.1 This report deals with the financial implications of the proposed rent increases which affect the HRA.
- 6.2 The impact of the Welfare Reform Act is not taken into consideration and will be reported on separately.

7. PERSONNEL IMPLICATIONS

- 7.1 The proposals contained in this report will not alter the current arrangements for the collection of housing revenue account monies.

8. CONSULTATIONS

- 8.1 All consultation responses have been reflected in this report. The report will be presented to Cabinet on the 5th February 2014.

9. RECOMMENDATIONS

- 9.1 It is recommended that:-

(a) An average rent increase based on WG guidelines, be agreed at 4%, (£3.12) per property from April 2014.

- (b) The variable service charge at sheltered complexes with communal facilities be set at £27.18 (bronze service), £29.58 (silver service), and £33.08 (Gold service) over a 48 week basis from April 2014, to include an alarm charge.
- (c) The service charge in the four sheltered schemes without communal facilities be reduced to £10.00 over a 48-week basis from April 2014, to include an alarm charge.
- (d) The service charge payable by residents of Tredegar Court be increased to £62.73 over a 48-week basis from April 2014.
- (e) The meal cost at Tredegar Court be increased to £34.52 based on a 48-week basis from April 2014.
- (f) The utility charges in Sheltered Housing schemes where tenants share a communal meter will be recharged the actual cost retrospectively from September 2014.
- (g) The guest room charge for sheltered housing complexes are not increased from April 2014.
- (h) The charges at Ty Croeso to be determined at a later date by officers.
- (i) The community alarm charge for group scheme tenants who have not yet been decommissioned to remain at £3.10 based on a 48-week basis from April 2014. The community alarm charge for sheltered tenants will be included within the service charge as in (b) above.
- (j) The garage charges for Council and non-Council tenants increase to £7.65 based on a 48-week basis from April 2014.

This report be submitted to Cabinet for consideration.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 Inflationary increases on providing all aspects of the housing service are experienced annually, however as the HRA cannot legitimately set a deficit budget, the loss of additional income will result in reduced resources being available to effectively manage and maintain the stock.
- 10.2 29% of tenants currently receive one of the services listed above and housing benefit will cover the increased costs for the majority of these. Failure to implement the increased charges proposed will result in the services received by those tenants being further subsidised by the rent payments of those tenants not receiving that service.
- 10.3 If charges are not increased annually it has a detrimental effect on subsequent years as higher increases are then needed to recover the shortfalls from previous years.
- 10.4 The Council's Business Plan relies on inflationary increases to remain viable.

11. STATUTORY POWER

- 11.1 Local Government Act 1972. This is a Cabinet function.

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