



## **POLICY AND RESOURCES SCRUTINY COMMITTEE – 19TH JANUARY 2016**

**SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2016-2017**

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

---

### **1. PURPOSE OF REPORT**

- 1.1 For Members to consider and take a view on the increased charges proposed in this report, prior to Cabinet approval on the 3rd February 2016. The charges are intended to be effective for the Housing Revenue Account (HRA) for the 2016/17 financial year.

### **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.
- In previous years The Welsh Government (WG) determined the annual guideline rent increases. The standard uplift policy for Local Authorities used to be based on the previous September Retail Price Index (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 came into effect from April 2015 and was accepted by Members in the 2015/16 HRA charges report. The policy sets a target rent band for each Authority and if the average weekly rent is below the target rent, the Authority will have to increase average rents, and if the average is above the target rent, average rents will increase at a lower rate.
  - The uplift on the new rent policy is fixed for five years and uses the previous September Consumer Price Index (CPI) inflation figure (as opposed to the RPI inflation figure) and also applies a 1.5% real increase to the average local authority rent. The previous September CPI inflation figure was -0.1% (minus) and has been at or around 0% for most of 2015 so already putting Local Authorities in a less favourable rent increase position. WG have announced the minimum rent uplift for 2016/17 to be 1.4% which is CPI at -0.1% plus 1.5%. However if this increase is applied it will not meet the rent policy target rent band that has been set for CCBC.
- 2.2 The responsibility for setting the rents for individual dwellings remains with the individual landlords, however the new policy sets a target rent band for each landlord who will be required to operate with average weekly rent levels that fall within the scope of those bands. The new policy is intended to provide landlords with a continuing measure of discretion over their overall rent levels and there is no proposal to alter the current rent structure for the 2016/17 rent charges, only to apply an inflationary increase that is within the new policy.

- 2.3 The Welsh Government national target rent bands for each landlord are based on a rent matrix that sets the principles for each size and type of dwelling in each Local Authority area. Those rent figures are aggregated for each landlord, based on characteristics and location of their housing stock, to provide an overall average matrix rent for each landlord. The key components are:
- Regional factors (house prices, private rents and place of work and place of residence based earnings)
  - Size (number of bedrooms)
  - Type (house flat and bungalow)
  - Energy efficiency of stock (SAP rating)
- 2.4 The current rent setting policy used by Caerphilly County Borough Council was agreed by members in December 1997 and was based upon three factors
- Number of bedrooms
  - Size i.e. square meterage of property
  - Type (house flat and bungalow)
- 2.5 Focus groups were held with tenants during June/July 2015 to ask their opinion on whether CCBC rent setting policy should be changed to also include the following factors that make up the WG rent matrix
- Regional factors
  - Energy efficiency of property
- 2.6 A total of 56 tenants attended the consultation events (970 were contacted and invited to attend the events) together with 17 tenants who attended the tenant information exchange
- 2.7 The results of the consultation exercise were
- 74% of tenants consulted did not agree that regional factors should be used to determine the rent levels
  - 89% did not agree that the energy efficiency of a property should be used to determine the rent levels
- 2.8 Therefore as the majority of tenants consulted agreed that the existing policy should remain unchanged there is no intention to include regional and energy efficiency factors within the Council's rent setting policy.
- 2.9 The target rent bands provide a low end figure, a mid point and a high end figure for each landlord. The average weekly rent level for each landlord is compared to the target rent band and the difference dictates whether the rent needs to be increased to fall within the target rent band.
- 2.10 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 16th February 2016. 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. This would result in a weekly loss in rent of £30k (based on a 3.5% increase).
- 2.11 All relevant charges are highlighted within this report detailing the amount of additional income that would be generated (excluding voids) if the proposed increases were implemented, along with the percentage of service users receiving housing benefit.

- 2.12 The report also includes proposals for increased service charges relating to our Sheltered Schemes and rent increases for garages.

### 3. LINKS TO STRATEGY

3.1 The recommendations within this report provide the council with additional income that will be used 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 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 transform homes, lives and communities (WHQS).
- People, Property & 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, and these increases have been linked with the Housing Revenue Account Subsidy (HRAS) calculations, thus restricting an Authority from completely controlling its rental income. Members will be aware of the recent buy out of the HRAS system which introduced self financing from April 2015.

4.1.2 Under the new rent policy a target rent band for each Authority is set by WG so there is still some degree of control retained by WG however, all of the rental income will be retained by the Authority and used to fund expenditure, service debt and create borrowing headroom for future investment.

4.1.3 As a result of the housing benefit limitation scheme, rent increases above DWP rent limits do not produce extra income from tenants in receipt of housing benefit. At this stage however, details regarding the DWP limit under the new rent policy are yet to be confirmed. Approximately 72% of tenants are in receipt of housing benefit.

4.1.4 The WG draft proposal for 2016/2017 of its policy rent band for CCBC is

- Low end £79.16 per week
- Mid Point £83.33 per week
- High end £87.50 per week

4.1.5 CCBC's current average rent for 2015/2016 is £77.48 (52 week basis). A 1.4%% uplift on this average rent equates to £78.56 which is a 60p/wk shortfall from the low end rent band. Therefore a further increase of 0.8% is necessary to ensure CCBC is within its rent band and to comply with the new rent policy. The total minimum increase is therefore 2.2%. However, the WHQS business plan has assumed a 3.5% increase in rent to ensure the plan remains

viable so 3.5% would be recommended as a minimum increase which would create an average rent of £80.19 per week (52 week basis)/ £86.88 per week (48 week basis). This is equivalent to CPI plus £1.63 (52 week basis) or CPI plus £1.76 (48 week basis). The total weekly increase is £2.71 (52 week basis) or £2.94 (48 week basis).

- 4.1.6 WG have stated in their policy that “ *The rent policy allows you to apply the inflation plus £2 (per week) if you are aiming to move to a higher point within the Target Rent Band to meet your business plan commitments...*”
- 4.1.7 There is a transitional protection arrangement in place which ensures that rents cannot be increased by more than CPI plus 1.5% plus £2 for any individual tenant. This means that the maximum CCBC can increase its rent is 3.52% before the protection arrangement is compromised, which would create an average rent of £80.21 per week (52 week basis)/ £86.89 per week (48 week basis).
- 4.1.8 The current average rent for CCBC is £77.48 based on 52 weeks (£83.93 based on 48 weeks). The latest business plan submitted to WG includes a rent increase of 3.5% for 2016/17 and this has resulted in a £43.7m borrowing requirement in order to meet the WHQS by 2019/20. A rent increase of less than 3.5% will mean less income for the WHQS programme which will obviously result in increased borrowing. As part of the HRAS buy out there is an imposed borrowing cap of approx. £60m so there is limited flexibility to increase borrowing. Furthermore there has been some cost escalation in the WHQS programme that will require further borrowing to achieve the standard. If the borrowing levels go beyond the cap then the WHQS will be unaffordable.
- 4.1.9
- An increase of 2.2% would result in a £1.70 weekly increase to £79.18 on a 52 week basis (£1.85 per week to £85.78 on a 48 week basis). This is an additional rental stream of £963k that would be some £600k short of what is assumed in the current business plan resulting in a further borrowing requirement of £1m.
  - An increase of 3.5% would result in a £2.71 weekly increase to £80.19 on a 52 week basis (£2.94 per week to £86.88 on a 48 week basis). This is an additional rental stream of £1.5m, and meets the income requirement needed in the current business plan.
  - Both Increases are within the rent envelope (low end) for CCBC but only the 3.5% increase meets the current business plan requirements.
- 4.1.10 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. Experience has shown that significant variances will arise once the properties are surveyed and contract packages are specified and indications of cost escalation have emerged based on trends from tender prices and valuations. The small level of uncommitted borrowing that remains up to the borrowing cap will therefore be crucial in meeting these costs, and would be compromised if additional borrowing is committed to supplement a rent increase less favourable to the business plan.. A rent increase less than 3.5% would inevitably reduce the Council’s ability to manage and maintain the housing stock to the necessary standards, and as noted above 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. An increase above 3.5% would create more flexibility within the business plan and have a positive impact on the level of borrowing required to meet the WHQS but the maximum allowable under WG policy for 2016/17 is 3.52%.

## **4.2 Service Charges at Older Persons Housing (excluding utility charges)**

- 4.2.1 These are applied to Sheltered Housing Officer assisted accommodation, of which there are three types: -

- Sheltered Housing with Sheltered Housing Officer assistance and communal facilities (962 units)
- Declassified Sheltered Housing schemes with no communal facilities (133 units)
- Tredegar Court extra care scheme (25 units)

#### 4.2.2 Charges

Tenants currently pay a service charge in accordance with a banded system that was agreed as part of the Sheltered Housing review in 2013.

Sheltered Housing with Sheltered Housing Officer assistance operates within a Bronze, Silver or Gold banding depending on the individual assessed needs of the tenant. All charges include a support and a management element. The support element is met by Supporting People, and the management element is met by Housing Benefits, where tenants are eligible.

Recently declassified sheltered housing schemes operate under a reduced rate due to receiving fewer services than the sheltered schemes.

A 2% increase is intended to be applied to these charges in order to meet the requirements of the business plan.

Charge per Week (48 wk basis)	Current Charges £	Proposed Charges £
Bronze Band (De-classified)	10.11	10.31
Silver Band (De-classified)	12.51	12.76
Gold Band (De-classified)	16.01	16.33
Bronze Band (Baseline Service for everyone)	27.63	28.18
Silver Band	30.03	30.63
Gold Band	33.53	34.20

#### 4.2.3 Tenants in receipt of benefit

75% of tenants who receive the Sheltered Housing Officer assisted services are in receipt of housing benefit.

77% of tenants in the declassified sheltered housing schemes are in receipt of housing benefits.

#### 4.2.4 Financial Impact

The income generated from this service is difficult to predict as tenants are individually assessed to determine their banding, which can change depending on tenants individual circumstances. Currently for the sheltered schemes, 80% of tenants are assessed as Bronze band, 18% Silver band and 2% Gold band. The additional income will therefore be £26k.

For the declassified schemes, there are currently 88% assessed as Bronze and 12% assessed as silver. The additional income will therefore be £1k.

### 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

#### 4.3.2 Charges

The current charge is £63.98 per week and it is proposed to increase by 2% to £65.26 in line with the Councils current business plan.

#### 4.3.3 Tenants in receipt of benefit

65% 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 £4.64 per day. This is equivalent to a weekly charge of £32.48 or £35.19 when collected over 48 weeks. Catering DSO currently provide the service to the HRA.

Meal charges at similar extra care schemes In the Caerphilly Council area are substantially higher at more than £7 per day.

It is proposed to increase the charge by 2% in line with the Councils current business plan, which is equivalent to £35.89 per week, based on a 48 week collection or £4.73 per day.

#### 4.4.2 Tenants in receipt of benefit

61% of tenants who receive meals are in receipt of housing benefit and will only pay a non-eligible amount. The non eligible amount for 2016/17 is £17.85 per week.

#### 4.4.3 Financial impact

The proposed increase would generate additional income of around £1k which would be passported to the Catering DSO for providing the service.

### 4.5 **Guest Room**

#### 4.5.1 Charges

A number of sheltered housing schemes have guest rooms and the charge to visitors is £18.00 per night plus VAT. It is not proposed to increase this charge this year as the charge is similar to other providers. Also there is an ongoing review of these rooms due to their

current low levels of use. Consideration is being given to a pilot project to reduce the guest room charges in a number of schemes with a view to them being utilised more frequently. We are also currently in consultation with tenants of a number of schemes regarding possible alternative uses of guest rooms and have recently converted two guest bedrooms into offices to improve facilities for privacy and support for tenants and their families.

#### 4.5.2 Tenants in receipt of benefit

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

#### 4.5.3 Financial impact

No additional income will be generated.

### 4.6 **Garage Charges**

4.6.1 The Council has 943 garages in stock, of which 565 are currently let (72% are let to non-council tenants, 28% are let to council tenants). The current weekly rent is £7.80 and it is proposed to increase the charges by 2% in line with the Council's current business plan to £7.96 per week. A report has been approved by the Caerphilly Homes Task Group which recommended proposals to improve and rationalise our garage stock. The approved programme has led to a reduction in our garage stock and will result in improvements to our remaining stock. This work, which is ongoing has an impact on void levels as the garages must be vacated prior to commencement of works.

#### 4.6.2 Tenants in receipt of benefit

Garage rents are not eligible for housing benefit and the majority (72%) of garage tenants are not council house tenants.

#### 4.6.3 Financial impact

The increase will generate additional income of 7k.

## 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 protected characteristics as defined by the 2010 Equality Act.. 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 affects the HRA.

6.2 The impact of the Welfare Reform Act is not taken into consideration.

## 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 3rd February 2016. An information report will also be presented to CHTG on the 18th February 2016.

## **9. RECOMMENDATIONS**

- 9.1 Members are asked to consider and give a view on the following recommendations which will be presented to Cabinet on the 3rd February 2016;
- (a) Members agree as a minimum to apply a 3.5% increase per property from April 2016 to ensure compliance with the new rent policy and to maintain the viability of the current business plan.
  - (b) That the current rent setting policy agreed in December 1997 remains in place.
  - (c) The variable service charge at sheltered complexes with communal facilities be set at £28.18 (bronze service), £30.63 (silver service), and £34.20 (gold service) over a 48 week basis from April 2016.
  - (d) The variable service charge in the four declassified sheltered schemes without communal facilities be set at £10.31 (bronze service), £12.76 (silver service), and £16.33 (gold service) over a 48 week basis from April 2016.
  - (e) The service charge payable by residents of Tredegar Court be increased to £65.26 over a 48 week basis from April 2016.
  - (f) The meal cost at Tredegar Court be increased to £35.89 based on a 48 week basis from April 2016.
  - (g) The guest room charge for sheltered housing complexes are not increased from April 2016.
  - (h) The garage charges for Council and non-Council tenants increase to £7.96 based on a 48 week basis from April 2016.
  - (i) 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 Housing benefit will cover the increased costs for the majority of the charges mentioned in this report. 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.

Author: Lesley Allen, Group Accountant (Housing).  
(E.mail: allenl@caerphilly.gov.uk – Tel: 01443 864470)  
Sandra Isaacs, Rents Manager  
(E.mail: Isaacs@caerphilly.gov.uk – Tel: 01495 235086)

Consultees: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer  
Christina HARRY, Corporate Director Communities  
Shaun Couzens, Chief Housing Officer  
Phil Davy, Head of Programmes  
Chris Burns, Interim Chief Executive  
Fiona Wilkins Public Sector Housing Manager  
Jo Green, Housing Manager – Older Persons Services  
Amanda Main, Acting Benefits Manager  
Mark Jennings, Housing Strategy Officer  
Stephen Harris, Acting Head of Corporate Services  
Cllr D Poole, Deputy Leader & Cabinet Member for Housing  
David A. Thomas, Senior Policy Officer (Equalities and Welsh Language)  
Gail Williams, Interim Head of Legal Services/Monitoring Officer

Background Papers (available on request):

Report to Policy and Resources Committee 20th January 2015 - Housing Revenue Account Charges  
– 2015-2016

Welsh Government Rent Policy Guidelines