



POLICY AND RESOURCES SCRUTINY COMMITTEE – 20TH JANUARY 2015

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2015-2016

**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 4th February 2015. The charges are intended to be effective for the Housing Revenue Account (HRA) in 2015-16.

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 will apply to local housing authorities from April 2015 (regardless whether exit from the HRA Subsidy system has occurred). The policy will set 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 new uplift policy will now use the previous September Consumer Price Index (CPI) inflation figure (as opposed to the RPI inflation figure) and also apply a 1.5% real increase to the average local authority rent which will be fixed for five years. The previous September CPI inflation figure is 1.2% so the average Welsh increase proposed by WG is 2.7%. Unfortunately, final figures from WG which includes CCBC's individual policy rent band are yet to be confirmed, although draft guidelines have been issued. It is anticipated that the guidelines are unlikely to change and therefore in order to meet our deadlines and to ensure the Council's business plan remains viable, an increase of 3.5% as a minimum is necessary.
- 2.2 The case for reviewing existing social sector rent policies was made by the Essex Review 2007/8. Rent policies in Wales have developed in different ways over a long period, and produced markedly different levels and profiles of rents across the country, and between tenures. The rent review sought to develop a coherent and consistent rent policy framework that would apply to all social landlords, reflects local variations in affordability and housing values, providing for a more equitable distribution of rents for social sector tenants across Wales, while at the same time ensuring the viability of individual social landlords.

- 2.3 The new policy is a framework that will reflect variations in the type and size, quality and location of each landlords housing stock.
- 2.4 Type & Size – The review agreed that rents should have a higher value for houses and bungalows compared to those for flats and maisonettes, and rents should have a higher value for larger dwellings. Weightings are therefore imposed against the various types and sizes of dwellings. CCBC already take this into account.
- 2.5 Quality – As part of the development of the rent policy, a quality factor will be applied which would enable financial adjustment to a landlords rent band, to reflect the quality of its housing stock. There is no comprehensive measure of the physical quality of each home so the policy focuses on energy efficiency, partly because this is an important factor that impacts on the costs tenants face, and partly because this is an area where it is believed that comparable and consistent data will become available. The methodology for assessing the quality of each landlords stock is now based on the average Standard Assessment Procedure (SAP) rating linked to the Welsh Housing Quality Standard (WHQS) threshold of 65. For each SAP point above 65 policy rents are increased by 0.3% and for each SAP point below 65 policy rents are reduced by 0.5%. (CCBC's latest SAP rating is 66)
- 2.6 Location – This is based on house prices, private rents, place of work based earnings and a place of residence based earnings for each local authority area. It is recognised that property values and market characteristics vary within areas, and this is one of the reasons for leaving landlords with the responsibility for setting the distribution of rents within their own stock.
- 2.7 The above indices along with an adjustment for the SAP rating, calculates the *mid point* rent for each landlord. A 5% reduction from this figure dictates the *low end* rent and a 5 % increase dictates the *high end* rate. The rates (low & high) form the rent envelope for each individual landlord.
- 2.8 Out of the eleven housing authorities, nine are currently below their new envelope (still in draft form), and two are within their envelope. CCBC is included in those nine authorities that are currently below their envelope or rate band. Transitional measures have been put in place to ease the impact on the new policy on both landlords and tenants, and where landlords need to increase their average weekly rent so that it falls within the target rent band, transitional protection for tenants will apply. In any year landlords will not be permitted to increase the rents for any individual tenant by more than £2 per week in addition to the agreed average annual rate of rent increase for the sector as a whole (ie CPI plus 1.5%). Therefore CCBC can increase its rent to a maximum of 4.9% without contravening the transitional protection arrangements.
- 2.9 The responsibility for setting the rents for individual dwellings will remain with the individual landlords as is currently the case, however the 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. Any changes to CCBC's rent structure will have to involve tenant consultation and this will be a consideration for the future. In the meantime, there is no proposal to alter the current rent structure for the 2015/16 rent charges, only to apply an inflationary increase that is within the new policy.
- 2.10 The target rent bands provides 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 or reduced to fall within the target rent band.
- 2.11 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 23rd February 2015. 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 £31k (based on a 3.5% increase - minimum), £35k (based on a 4% increase), or £43k (based on a 4.9% increase – maximum), excluding other charges.

- 2.12 All 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.
- 2.13 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 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 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.
- 4.1.2 Members will be aware of the pending buy out of the HRAS system which will introduce self financing from April 2015. The transaction date for the buy out is intended to be carried out on the 2nd April 2015 and the new rent policy will then be enforced for the 2015/16 financial year.
- 4.1.3 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.
- 4.1.4 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 is unknown. Approximately 72% of tenants are in receipt of housing benefit.
- 4.1.5 The WG draft proposal for 2015/2016 of its policy rent band for CCBC is
- Low end £77.47 per week
 - Mid Point £81.55 per week
 - High end £85.62 per week

- 4.1.6 CCBC's current average rent for 2014/2015 is £74.90 (52 week basis). A 2.7% uplift on this average rent equates to £76.92 which is 55p under the low end rent band. Therefore a further increase of 0.73% is necessary to ensure CCBC is within its rent band and to comply with the new rent policy. The total increase as a minimum is therefore 3.43%. However, the business plan has assumed a 3.5% increase in its rent to ensure the plan remains viable so this increase would be recommended as a minimum. For the last three years the rent increase has been 4%.
- 4.1.7 As mentioned 2.8 above, there is a transitional protection arrangement in place which ensures that rents cannot be increased more than CPI plus 1.5% plus £2 for any individual tenant. This means that the maximum CCBC can increase its rent is 4.9%.
- 4.1.8 This report therefore gives members the option to set the rent at the minimum (3.5%), a rate based on the last three years (4%,) or the maximum (4.9%) .
- 4.1.9 The current average rent for CCBC is £74.90 based on 52 weeks (£81.14 based on 48 weeks).

- A minimum increase of 3.5% would result in a £2.62 weekly increase to £77.52 (£2.84 per week to £83.98 on a 48 week basis). This is an additional rental stream of £1.4m that is assumed in the current business plan and will fund the current borrowing requirement for WHQS agreed by Council.
- An increase of 4% would result in a £3.00 weekly increase to £77.90 (£3.25 per week to £83.58 on a 48 week basis). This is an additional rental stream of £1.6m, £200k more than assumed in the current business plan, and would reduce the borrowing requirement for WHQS by £500k.
- A maximum increase of 4.9% would result in a £3.67 weekly increase to £78.57 (£3.98 per week to £85.12 on a 48 week basis). This is an additional rental stream of £2m, £600k more than assumed in the business plan, and would reduce the borrowing requirement for WHQS by £1.2m.

Increases are within the rent envelope (low end) for CCBC.

- 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. 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 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. An increase more than 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.

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

- 4.2.1 This is 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 Tenants currently pay a service charge in accordance with a banded system that was agreed as part of the Sheltered Housing review in 2013. The service charges now include an element for telecare.

- 4.2.3 Sheltered Housing with Sheltered Housing Officer assistance operates within a Bronze, Silver or Gold banding depending on their individual assessed needs. 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.
- 4.2.4 Recently declassified sheltered housing schemes operate under a reduced rate due to receiving less services than the sheltered schemes with sheltered housing officer assistance. They currently pay a support charge depending on what band they are assessed at, and a non support element of £5.40.
- 4.2.5 It is proposed that the housing management (non support) charge be increased by 2% from April 2015 and the revised costs are shown in the table below: 76% 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 will be met by Supporting People and this element is not intended to be increased as regionally there is no uplift expected for this grant next year.
- 4.2.6 A 2% increase is also intended for the recently declassified sheltered housing schemes. 78% of these tenants are in receipt of housing benefits and therefore do not pay the non support element of this charge. The support element will be met by Supporting People and this element is not intended to be increased as regionally there is no uplift expected for this grant next year.

Charge per Week	Support Charge (including the Alarm Charge) £	Service Charge (Non- Support) £	Total Costs £
Bronze Band (De-classified)	4.60	5.40 + 2%	10.11
Silver Band (De-classified)	7.00	5.40 + 2%	12.51
Gold Band (De-classified)	10.50	5.40 + 2%	16.01
Bronze Band (Baseline Service for everyone)	4.60	22.58 + 2% = 23.03	27.63
Silver Band	7.00	22.58 + 2% = 23.03	30.03
Gold Band	10.50	22.58 + 2% = 23.03	33.53

- 4.2.7 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, there are 66% of tenants assessed as Bronze band, 28% Silver band and 6% Gold band. However, as the support element is not intended to be increased then the additional income will only be derived from the non support element which is the same for everyone. The additional income will therefore be £21k.

4.2.8 For the declassified schemes, there are currently 83% assessed as Bronze and 17% assessed as silver. However, the support element is not intended to increase so the additional income will only be derived from the non support element which is the same for everyone in this category. 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 but it is intended to be reviewed in the near future.

4.3.2 Charges

The current charge is £62.73 per week and it is proposed to increase by 2% to £63.98 in line with the Councils current business plan.

4.3.3 Tenants in receipt of benefit

63% 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 £4.55 per day. This is equivalent to a weekly charge of £31.85 or £34.50 when collected over 48 weeks. Catering DSO currently provide the service to the HRA.

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

4.4.3 It is proposed to increase the charge by 2% in line with the Councils current business plan, which is equivalent to £35.19 per week, based on a 48 week collection or £4.64 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. The non eligible amount for 2015/16 is £17.85 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. As mentioned in 4.3.1, a review is intended on this scheme in the next financial year which would include meal provision.

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 with a view to them being utilised for other means in consultation with tenants of those schemes.

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 **Temporary accommodation at Ty Croeso**

4.6.1 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 has recently undergone a change of use to single person's accommodation and is managed by an external support provider, The Wallich. The rent and service charge form part of the management agreement, and are linked to the annual Local Housing Allowance rates issued by the Rent Officers Wales.

4.6.2 Tenants in receipt of benefit

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

4.6.3 Financial impact

The rent and service charge that are 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 & 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.

4.7 **Garage Charges**

4.7.1 The Council has 1267 garages, of which 732 are let (72% are let to non-council tenants, 28% are let to council tenants). The current weekly rent is £7.65 and it is proposed to increase the charges by 2% in line with the Council's current business plan to £7.80 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.

4.7.2 Tenants in receipt of benefit

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

4.7.3 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 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 and has been reported on separately, and is ongoing.

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 4th February 2015. An information report will also be presented to CHTG in February.

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 4th February 2015;
 - (a) Members consider the options available for the rent increase in 4.1.9 but as a minimum apply a 3.5% increase per property from April 2015 to ensure compliance with the new rent policy and to maintain the viability of the current business plan.
 - (b) The variable service charge at sheltered complexes with communal facilities be set at £27.63 (bronze service), £30.03 (silver service), and £33.53 (gold service) over a 48 week basis from April 2015.
 - (c) The variable service charge in the four declassified sheltered schemes without communal facilities be set at £10.11 (bronze service), £12.51 (silver service), and £16.01 (gold service) over a 48 week basis from April 2015.
 - (d) The service charge payable by residents of Tredegar Court be increased to £63.98 over a 48 week basis from April 2015.
 - (e) The meal cost at Tredegar Court be increased to £35.19 based on a 48 week basis from April 2015.
 - (f) The guest room charge for sheltered housing complexes are not increased from April 2015.
 - (g) The charges at Ty Croeso to be determined by the Local Housing Allowance rates yet to be announced.
 - (h) The garage charges for Council and non-Council tenants increase to £7.80 based on a 48 week basis from April 2015.
 - (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.

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