

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 16 SEPTEMBER 2014**

REPORT BY: **CHIEF OFFICER, COMMUNITY AND ENTERPRISE**

SUBJECT: **HOUSING REVENUE ACCOUNT: NEW RENT POLICY
FOR SOCIAL HOUSING RENTS AND SERVICE
CHARGES**

1.00 PURPOSE OF REPORT

- 1.01 The report seeks approval to the proposals for implementing the Housing Revenue Account (HRA) Rent Policy in 2015/16.
- 1.02 The report also seeks approval for a phased implementation of service charges over three years starting in 2016/17, and agreement to begin a consultation process with tenants, leaseholders and other stakeholders on the proposals.

2.00 BACKGROUND

Revised HRA Rent Policy

- 2.01 The Essex Review of affordable housing policy carried out in 2008 pointed to the unfairness of the current system of rent setting for both social landlords and their tenants and recommended a full review.
- 2.02 Rent policies in Wales had developed in different ways over a long period, and produced markedly different levels and profiles of rents across the country, and between tenures. Variations in council rents between councils were largely driven by the values of dwellings sold under the right to buy, based on a subsidy formula implemented in 1989.
- 2.03 In that context the Welsh Government (WG), rent review sought to develop a coherent and consistent rent policy framework that would apply to all social landlords, reflect local variations in affordability and housing market 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.
- 2.04 WG consulted on a proposed new policy for social housing rents in Wales during 2011. The review group considered consultation responses and proposed amendments to the policy. The amended policy was re-issued to both housing association and local authority

sectors for consultation in May 2012.

- 2.05 Since that time, the review group has considered various aspects of the policy including bringing sheltered housing within the scope of the new rent policy and issuing advice requiring all landlords to disaggregate service charges from rent.

The rent policy will apply to;

- All social landlords that have 100 or more dwellings;
- General needs and sheltered housing properties

The rent policy excludes;

- Extra care housing;
- Supported housing;
- Intermediate rent housing;
- Market rent housing; and
- Other specialised forms of provision.

- 2.06 The Minister for Housing and Regeneration made a decision that the new Rent policy be implemented for housing associations from April 2014 and for local authorities from April 2015 following exit from the Housing Revenue Account Subsidy system. Where a social landlord currently pools rents and service charges, they are now required to start the process of disaggregating service charges from rent and to start the exercise by April 2015.

- 2.07 Some tenants receive additional services, over and above the service that is provided through rent payments. This tends to apply to those living in blocks of flats, or in schemes with communal/shared facilities.

De pooling involves separating out these costs and charging them as a service charge to those who receive the service

3.00 CONSIDERATIONS

Rent Setting

- 3.01 The target rent bands for each landlord are based on a consistent set of principles and a common methodology across Wales that applies equally to both local authority and housing associations. Landlord rents are based on locality, size, quality and type of dwelling. Appendix 1 sets out this methodology which shows how rents are adjusted above or below the All Wales average.
- 3.02 The policy prescribes 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. Appendix 2 sets out the proposed target rents for Flintshire for 2014/15.

- 3.03 The rent policy sets out the total target rent band for each landlord and landlords will be required to work towards and ultimately achieve average weekly rent levels that fall within the scope of those bands. The banding is set at 5% above or below the target rent.
- 3.04 Where a landlord's weekly rent is higher than the target rent band, the landlord is expected to increase its rents more slowly e.g. at CPI plus 1.0%, until the average weekly rent falls within the target rent band.
- 3.05 Where a landlord's weekly rent is lower than the target rent band, transitional protection will apply to tenants. In any year a landlord will not be permitted to increase the rent for any individual tenant by more than £2 per week in addition to the agreed average annual rate of rent increases for the sector as a whole.
- 3.06 The inflation indices to be used for uplifting rents each year will be based on CPI at the previous September and a real increase percentage of 1.5% will be applied to the inflation indices. This will be fixed until 2018/19.
- 3.07 The only exception to this rule would be where CPI falls outside a range of between 0% and 4%. If CPI falls below 0%, or is above 4%, The Minister for Housing and Regeneration will be able to make a decision on the level of rent increases to be applied in that year only.
- 3.08 **Rent Policy proposals**
- 3.09 The new rent policy is an opportunity to resolve anomalies and to harmonise rents in Flintshire. The Council currently has over 400 different rents from a combination of systems used by previous Councils, prior to amalgamation. This has resulted in a disparity in rent for similar properties across Flintshire.
- 3.10 The current guideline Rent of £74.77 will move towards the benchmark rent of £82.90 on a phased transitional basis where no tenant will see rent increases above CPI Plus 1.5%, plus £2 per year.
- 3.11 In year 1 there are 1385 tenancies at or above the target rent. These are mainly sheltered and non sheltered flats, and sheltered bungalows.
- 3.12 **Elements to consider to implement the rent policy**

Currently there are a range of rent charges in place for each property type across the county and the new rent policy provides an opportunity to develop greater consistency.

A. Rent bands

It is recommended that Flintshire works towards one rent for each size & type of property. This means (for example), that ultimately, all 2 bedroom houses will be charged the same rent level, and rather than 400 different rents there would be nine. These would cover 1, 2, and 3 bedroom flats, 1, 2, 3 and 4 bedroom houses and bungalows, cottage flats and bedsits.

3.13 B. Meeting the Welsh Housing Quality Standard

Agreement is also sought for the overall level that target rents are set within the WG guidelines. There are three options as shown below:-

1. At Target Rent ;
2. 5% below Target Rent; or
3. 5% above target rent

3.14 If rents were set at 5% above target rent, when rents had achieved this level this would maximise income to the HRA. This could create additional funds to reduce borrowing levels to achieve WHQS and enable further build of new council houses. As seen in Appendix 3 this could ultimately bring in additional income of £1.554m per year compared to the target rent.

3.15 However, in the interests of maximising affordability to tenants, in a county where average incomes and house prices are relatively strong compare to many parts of Wales; yet many people earn below the county average wage; it is recommended that in Flintshire, rents are set within the total rent envelope and at a level which ensures affordability.

3.16 C. Vacancies

It is proposed that from April 2015, that when a property becomes vacant the rent for the new tenant is automatically set at target rent and charging for services is implemented where appropriate (See below).

3.17 D. Service Charges

Welsh Government expect all social landlords to separate services from rents and introduce charging from 2015. Councils are expected to recover the cost of services in addition to rent. There are a range of items which can be charged for separately. In Flintshire it is proposed that charging is introduced on a phased basis over three years from 2016 for the following items:

These will include:-

- 3.18 **Communal Services**
- Cleaning charges in communal areas (not community rooms)
 - Laundry facilities
 - Janitors service (high rise only)
 - Aerial maintenance and digital services
 - Grounds maintenance/estate caretakers
 - Management charge for administering service charge

Individual Services

- Individual Grass cutting
- Individual Hedge cutting

- 3.19 There is currently £700K of services being provided to tenants. It is recognised at the moment that the costs for providing some of the services identified above are not value for money and the quality of some services will need to be improved and costs reduced.

- 3.20 In addition there are community rooms at many sheltered schemes, which are used by community groups in addition to the residents themselves. In most schemes there are no charges made for using these rooms and therefore a full review will be undertaken and a future strategy developed for this part of the Housing service.

- 3.21 From a tenant's perspective, the implementation of service charges will lead to greater transparency. It will become clear how much services cost and improved tenant awareness will provide greater accountability for the services that are being delivered.

- 3.22 With the exception of services provided for the benefit of individuals, the service charges described above are all currently "housing benefit eligible". At the beginning of this financial year 67% of tenants were in receipt of full or partial housing benefit.

- 3.23 The individual tenant garden and hedge cutting service is subject to a review following the challenges encountered in implementing the new service this year. Proposals will be brought to cabinet for consideration shortly. This paper makes no recommendations for this service.

- 3.24 There are currently c2300 tenancies including c1700 units of sheltered housing who receive services.

3.25 **Charging Policy for Service Charges**

It is proposed that charges would be introduced on a phased basis for existing tenants over 3 years from 2016 leaving a full year to review, consult and improve services.

Ultimately introducing service charging for all the services shown above would bring in additional income to the HRA of circa £700k per annum.

3.26 There are two methods for charging for services:-

Option 1

The total cost of each chargeable service is shared equally amongst all tenants receiving that type of service. For example, all flats that receive cleaning would be charged the same, regardless of how much the cleaning cost in each building. This is the simplest to administer and explain and helps to address cost differences where, for example one block of flats is significantly larger than another and has more communal space. However, costs would still not be fully transparent.

3.27 Option 2

Each service is charged on actual costs. This would create maximum transparency although there would be disparity in cost of services to different buildings and normally this means that those in small blocks of flats pay more than those in larger blocks of flats due to economies of scale.

Option 1 is the recommended option as this would be the simplest to explain and administer.

3.28 Implementation Transition

Councils that have implemented service charges have done so via two different methods,

- **Option 1** de pooling from rents which sees the rent reduce by the value of the service charge and then the rent increases back to target rent over a transitional period. This approach works well when all charges are implemented in year 1.
- **Option 2** is not to de pool but to keep rents at their current levels and phase service charges in gradually as an additional charge over a period of 3 years

3.29 Option 2 is the recommended option as this would allow a phased implementation, allowing time for each service to be reviewed and for full discussion with those tenants who would be affected by the implementation of any charge.

3.30 It is recommended that in year 1 (2016/17), that charges are introduced for TV aerial maintenance and digital services, and cleaning services. TV aerials charging will be circa £1.10 per week,

with cleaning services circa £2.50. This would then be followed in the next two years by firstly laundry and janitor services (2017/18) and finally grounds maintenance/caretaking in (2018/19), after full review of quality and price, alongside resident consultation.

4.00 RECOMMENDATIONS

4.01 Cabinet are asked to approve the revised rent policy as described below:

- The implementation of a single rent for each type and size of property as per the rent reform guidance.
- Rent levels set within the target rent band to support a policy of maximising affordability.
- New tenancies are let at target rent from April 2015, with full service charge implementation.
- To charge for services as a single average rate for each element.
- To implement service charges for existing tenants on a phased basis over three years from 2016 following detailed consultation, and as per paragraph 3.30.

5.00 FINANCIAL IMPLICATIONS

5.01 As described in the report. The council has a dual responsibility to maximise rental income to deliver high quality services to tenants and to ensure that rents remain affordable. The proposals in this paper aim to achieve that balance.

6.00 ANTI POVERTY IMPACT

6.01 Those who do not qualify for housing benefit and are on low incomes will feel the impact of rent increases above inflation and the introduction of charging for services. Welfare rights advice and support will be provided to any tenant who needs it.

Work has been underway to make sure that all properties are correctly classified as two/three bedroom following the introduction of Welfare Reform, and any cases brought to the attention of the service for reclassification will be considered on their merits.

7.00 ENVIRONMENTAL IMPACT

7.01 There are no direct environmental impacts arising from the proposal outlined in the report.

8.00 EQUALITIES IMPACT

- 8.01 All tenants will be affected by the rent policy and all those who live in properties with communal areas or communal facilities will be affected by the introduction of service charges.

9.00 PERSONNEL IMPLICATIONS

- 9.01 The 2014/15 budget makes provision for an officer to undertake developmental work to implement service charges.

10.00 CONSULTATION REQUIRED

- 10.01 Full consultation will be required with any tenants affected by the introduction of service charges. This will take place scheme by scheme; with a full opportunity to discuss the proposed charges, quality of service provision, and tenant expectations around service frequency. It is likely that different groups of property could ultimately require different service levels and therefore different charges would be set. At any scheme it would be a majority decision as to service standards/cost and whether a service is provided at all.

11.00 CONSULTATION UNDERTAKEN

- 11.01 This report has been shared with Housing scrutiny committee and will be shared with the Tenants Federation

12.00 APPENDICES

Appendix 1 – methodology for rents adjustment above or below the All Wales average.

Appendix 2 – Target rent per property type

Appendix 3 – Target rent band financials

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

None

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