

READING BOROUGH COUNCIL

REPORT BY INTERIM DIRECTOR OF ADULT CARE AND HEALTH SERVICES

TO:	POLICY COMMITTEE		
DATE:	12 JUNE 2017	AGENDA ITEM:	9
TITLE:	SUPPORTED LIVING RENT AND TRANSFER TO HOUSING REVENUE ACCOUNT		
LEAD COUNCILLOR:	RACHEL EDEN	PORTFOLIO:	ADULT SOCIAL CARE
SERVICE:	ADULT SOCIAL CARE	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT

- 1.1 For Policy Committee to consider a proposal to increase rents in 11 Adult Social Care Supported Living properties in line with other similar Supported Living provision.
- 1.2 For Members to note that for all but one of the 33 tenancies affected, the cost of the rent increase would be covered in full by Housing Benefit allowance, meaning tenants' personal finances would not be affected. A discussion with the one tenant affected by the rent increase will take place to discuss the potential for a transitional arrangement to help them manage the payment.
- 1.3 To recommend that one quarter of the existing funding pot for planned / unplanned maintenance of the properties is utilised as a saving for the next 3 year period to aid current financial pressures. This is proposed in the context that the pot is consistently underspent and always carries forward as a surplus.
- 1.4 To seek Member agreement to transfer 6 x 1 bed flats from the General Fund to the Housing Revenue Account, due to the tenancy arrangements of the units.

2. RECOMMENDED ACTION

2.1 That Policy Committee agree:

- a) The proposal to increase the rents in 11 Supported Living properties so that they are in line with other similar Supported Living provision.
- b) For the next 3 year period, to use £40,000 of the existing £160,000 'sink fund' as a saving.
- c) The transfer of 6 x 1 bed flats from the General Fund to the Housing Revenue Account, and the associated financial realignment between the two accounts.

3. THE PROPOSAL

Current Position:

3.1 Reading Borough Council Adult Social Care (ASC) own 12 properties which are let to tenants as shared houses to provide supported living. There are 40 separate tenancies for individual rooms. Individuals are nominated to these properties by ASC, via the ASC Housing Panel, and the budget for these properties sits within ASC costs centres. The Housing Service is the agent and they act as landlord on behalf of ASC.

3.2 For historic reasons the rents for the shared houses are low in comparison to the private sector market for the same type of property.

3.3 At present the properties provide a net income to the ASC service. The exact amount depends on the level of rent loss during a void period and repairs expenditure during that year and this is normally less than budgeted for.

3.4 ASC also own 6 x 1 bed flats which are managed in the same way as the shared houses but are classed as individual properties and not shared houses. The properties sit within the General Fund and the tenants are on secure tenancies.

3.5 The Council hold a 'sink fund' to the value of £160,000 which is used for planned and unplanned maintenance to the properties.

3.6 As of April 2017, as part of standard practice, an annual rental increase of 5% has been implemented which will increase the gross rental income by £7,368 for the year.

Options Proposed:

Increase rents

3.7 The proposal applies to 11 shared supported living properties. This equates to 33 tenancies within the ASC portfolio.

3.8 It is proposed that as these rents are well below what is expected to be paid for these types of supported living properties, the rents are increased so that they are in line with similar supported living provision. Typically between £120 and £130 per week would be expected to be paid. It is therefore proposed that the rents for the shared houses without an en-suite are increased to £120 per week and for those with en-suite to £125 per week.

3.9 For the purposes of this proposal the supported living properties at Castle Crescent, which come under the umbrella of the Focus House Consultation project, have been excluded. The 6 x 1 bed flats are also excluded from the proposal to increase the rents as they are included in the transfer proposal to the Housing Revenue Account.

3.10 The rents being proposed are above the local housing allowance for the shared

room rate for most claimants, but there is an exemption that allows people to claim up to the 1 bed rate even if they are in a shared house. This is achieved by having the Severe Disability Premium (SDP) included in their Housing Benefit. The SDP would apply to people who meet all the following criteria;

- They must receive DLA Care Middle or Higher OR
- Daily Living component of Personal Independence Payment OR
- Attendance Allowance OR
- An Armed forces independence payment AND
- Must have no non-dependents living with them AND
- No one must be receiving Carers Allowance for them.

3.11 This exemption applies to all the tenants currently living at these properties which mean that they are therefore also exempt from the benefit cap. With the exception of one tenant they are all also on Housing Benefit. For the tenants on Housing Benefit this would mean that Housing Benefit would continue to cover the full cost of the rent and this change would not have any impact on the tenant's personal finances.

3.12 For the one tenant who is not eligible for Housing Benefit their rent will increase by £27.38 per week. When their funds reach the threshold for Housing Benefit they can make an application to cover the rent. The potential for transitional arrangements to manage the increase in rent will be discussed with the tenant affected.

3.13 The proposal to increase the rents would result in an increase in rent for the tenants, ranging from £21.64 a week to £34.80 a week for most tenants and an increase of £54.46 for 4 tenants that currently have very low rents.

3.14 For future tenants, they need to be in receipt of Severe Disability Premium to ensure that they receive the maximum Housing Benefit to cover the total rent being proposed. It is anticipated that they would be in receipt of Severe Disability Premium, as this type of accommodation would warrant placing an individual with needs that would meet the criteria for Severe Disability Premium.

Transfer of 6 x 1 bed flats from General Fund to Housing Revenue Account

3.15 It is proposed that the 6 x 1 bed flats are appropriated to the Housing Revenue Account (HRA). As these properties are let on secure tenancies, housing legislation dictates that properties on these tenancy arrangements owned by a Local Authority should be accounted for in the authorities HRA. Rent levels for the tenants will remain the same as a result of the transfer.

3.16 As the asset will be transferred from the General Fund to the HRA, it will be necessary to realign the two budgets accordingly. The tenanted value of the units is assessed to be c.£670,000, a final valuation will be completed at the point of transfer. This process will reduce the general fund debt by this value, but there will also be a loss of gross rental income from these units of C.£40,000 a year (before management and maintenance costs). This will be cost neutral to the General Fund.

Sink fund

3.17 Following review of the sink fund which is used to cover planned and unplanned maintenance on the properties, it is consistently underspent and carries forward an annual surplus. It is therefore proposed that £40,000 of this fund for the next 3 years is utilised as savings, this can be achieved without detriment to the buildings.

4. CONTRIBUTION TO STRATEGIC AIMS

4.1 The proposal relates to the following Corporate Plan priority:

- Remaining financially sustainable to deliver these service priorities

4.2 The proposal contributes to the following Council's strategic aim:

- To promote equality, social inclusion and a safe and healthy environment for all

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 The agreed proposal will be shared with those affected via a robust communications plan, which will include the tenants being given the opportunity to meet with officers for a discussion to understand the proposal.

6. EQUALITY IMPACT ASSESSMENT

6.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

6.2 Consideration has been given to whether an Equality Impact Assessment is required and it has been assessed that an assessment is not required as the implementation of this proposal will not have a differential impact on any specific groups of people.

7. LEGAL IMPLICATIONS

7.1 Housing legislation dictates that individual Council properties with secure tenancies should sit within the Housing Revenue Account.

7.2 There is a legislative anomaly for the tenants in the shared supported living properties (excludes the 6 x 1 bed flats). As they are in shared houses they cannot be offered secure tenancies and are on Licence which has different tenancy rights and are part of the General Fund.

8. FINANCIAL IMPLICATIONS

8.1 If the rents were increased to the level outlined in the proposal, this would increase the rental income to ASC by £54,567.97 full year effect.

8.2 The rental increase can be implemented from 01/08/2017. This will generate an increase in income in 17/18 of £36,378.

8.3 As an illustration, if the proposal was not adopted, the income generated from rent is outlined in the table below.

Rental income without proposal	
16/17	£147,363
17/18	£154,732
18/19	£154,732
19/20	£154,732

8.4 If the proposal is adopted, the financial impact for the next 3 years is outlined in the table below.

Income generation if proposal adopted				
Year	Total Rental Income	Additional income from proposal	Saving from sink fund	Income generation/saving
16/17	£147,363			
17/18	£191,109*	£36,378	£40,000	£76,378**
18/19	£209,300	£18,190	£40,000	£58,190
19/20	£209,300		£40,000	£40,000

*Includes 5% rental increase already applied.

**In addition to the income generation from the proposal of £76,378 for 17/18, there is an additional rental income of £7,368 achieved by the 5% rental increase already applied.

8.5 The appropriation value of the 6 x 1 bed flats would be c.£670,000 and there will be a reduction in gross rental income to the General Fund from these units of c.£40,000 per year (before management and maintenance costs). The change would be cost neutral to the General Fund.

Financial risks

8.6 This proposal is based on the premise that individuals can apply for Severe Disability Premium (SDP) based on the current eligibility which allows an exemption, meaning they can apply for the 1 bed rate even though they are in shared house. There is no evidence to suggest that the exemption for SDP will change and there is no reference to SDP exemption in the Housing White Paper. However, if it were to change, the risk is that the rents will become unaffordable which could be mitigated by the Council reverting back to the current position. This would mean that the saving would not be achieved or would be reduced.

9. BACKGROUND PAPERS

None