

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR FOR SOCIAL CARE AND HEALTH

TO:	POLICY COMMITTEE		
DATE:	18 JANUARY 2021		
TITLE:	SUPPORTED LIVING RENT INCREASE FROM APRIL 2021		
LEAD COUNCILLOR:	CLLR TONY JONES & CLLR ENNIS	PORTFOLIO:	ADULT SOCIAL CARE & HOUSING
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to propose a rent increase within the Council's Supported Living properties utilised within Adult Social Care to bring rents in line with similar Council properties.
- 1.2 The report provides detail and recommends a resolution to the disparity of rent charged within the Supported Living scheme for different types of accommodation and recommends an annual rent increase for all properties within the scheme. Individuals who are receiving Housing Benefit or Universal Credit (this currently applies to all the individuals who are living in these properties) will continue to have their rent paid by these welfare benefits and will not see an impact on their own personal finances.
- 1.3 The report describes supported living provision offered within RBC-owned properties; the nature of the properties' exemptions from social housing and rental legislation (which applies to other forms of social housing); the impact this has on chargeable rents; and a proposal for exploring the opportunity for savings against these properties.
- 1.4 The report also describes the means by which future planned maintenance for the properties has been determined in order to ensure the properties are fit for purpose into the future.

2. RECOMMENDED ACTION

- 2.1 That Policy Committee approves the recommendation to increase the rent in the RBC-owned Supported Living properties in line with Local Housing Allowance (LHA) and to implement annual rent increases in line with social rent and affordable rent increases of CPI (as at October each year) +1% per annum from 1st April 2021 generating expected additional rent of £21k per annum.

3. POLICY CONTEXT

- 3.1 Supported living enables adults to live in their own home - with the help they need to be independent - and allows them to choose where they want to live, who with, how they want to be supported, and what happens in their own home.
- 3.2 The Council's Corporate Plan priorities include ensuring access to decent housing to meet local needs and protecting and enhancing the lives of vulnerable adults. The Supported Living properties owned by Reading Borough Council support these priorities but in order to fulfil the Corporate Plans priorities to ensuring the Council is fit for the future the scheme must be appropriately costed and relevant charges must be applied in order to ensure value for money and sustainability. It is on this basis that a proposal to increase rent across the scheme is being put forward.
- 3.3 Currently 100% of housing costs (rent and eligible service charges) for long-term supported housing is paid by central government through the welfare system (Housing Benefit/Universal Credit), subject to the benefit rules.
- 3.4 The Supported Living properties owned by Reading Borough Council meets the 'exempt accommodation' criteria for Housing Benefit purposes due to the provision providing "care, support or supervision." As such, the Housing Benefit regulations, which limit rents to defined Local Housing Allowance (LHA) levels, do not apply. This is also the case for Universal Credit meaning that LHA levels do not apply for either Housing Benefit or Universal Credit. This means that the rents charged for the properties are not capped at the LHA rates.
- 3.5 The Supported Living properties owned by Reading Borough Council are classed as "specialised supported housing" and as such are exempt from the UK Government's policy on rents for social housing. It is also therefore exempt from the published formula used to calculate social rent and from the directive in October 2017 that registered providers could increase rents on social rent and affordable rent properties by up to Consumer Price Index (CPI) +1% each year from 2020, for a period of at least five years. This means that there is no defined way of calculating the "ideal" rent for these properties.
- 3.6 Rent levels in supported housing tend to be higher than those charged for similar accommodation in the private sector. The key reasons for variations in costs are mainly attributed to:
- Maintenance, repairs and renewals
 - Provision of communal areas and facilities
 - Security and health and safety considerations
 - Housing management
 - Voids

4. THE PROPOSAL

Current Position:

- 4.1 Adult Social Care (ASC) own 14 properties which are let as shared houses to provide supported living, offering 54 separate units of accommodation. Individuals are nominated to these properties by ASC, via the Eligibility & Review Group panel, and the budget for maintaining these properties (as well as for any supported living packages delivered within these properties) sits within ASC costs centres. The Council's Housing Service is the agent and they act as landlord on behalf of ASC who commission providers to deliver personalised support to residents within the scheme.
- 4.2 Regarding the income and expenditure on these properties:

- **Rents** → At present the rent provide a gross income to the ASC service.
- **Expenditure** → The total net income 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.
- **Maintenance** → The Council hold a ‘sink fund’ which is used for planned and unplanned maintenance to the properties. In 2017 a review of the sink fund which is used to cover planned and unplanned maintenance on the supported living properties found it to be consistently underspent and it annually carried forward a surplus.

Options Proposed

- 4.3 Rent within the properties hasn’t been reviewed since 2017. At that time an increase was applied based on rent being low in comparison to other supported living properties and as such rent was brought in line with other provision.
- 4.4 There is no prescribed means by which to calculate rent within a specialised supported housing scheme (see 3.5 above). However, the levels of rent and service charge must be deemed reasonable and justifiable and in line with housing management costs and Housing Benefit eligibility. Evidence shows that eligible rents and service charges are mainly negotiated and agreed between Housing Benefit teams and providers, in this case the Council as landlords and commissioners of support.
- 4.5 When considering the recommendation action, all other forms of social housing provided by the Council were considered so that we could ensure consistency across our housing offer. This confirmed that Supported Living is the only social housing offered by the Council that doesn’t either have a specific formula attached to it for our locality such as can be found within social rent or is covered by the Government’s policy on rents for social housing such as the Council’s Sheltered Housing offer which must comply with Local Housing Allowance limits.
- 4.6 In order to calculate rent that is reflective of the locality and can meet housing management costs and Housing Benefit eligibility, one or more of the following factors could be considered:
- LHA - whilst rent in the scheme does not need to observe LHA limits (see 3.4 above), the LHA gives an indication of rent that can be charged in the private rental sector for this locality and would be covered by Housing Benefit/Universal Credit.
 - Calculated social rent for the supported living properties based on the national social rent formula which is calculated on the basis of 30% of a property’s rent based on relative property values, 70% of a property’s rent based on relative local earnings and a bedroom factor applied so that, other things being equal, smaller properties have lower rents.
 - Calculated social rent for the supported living properties based on the national social rent formula adjusted to disregard the 1% decrease in rent year on year applied by central government for 5 years from April 2016.
 - ‘Affordable rent’ which was introduced in 2011 and permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). The introduction of affordable rent made it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good quality home at a sub-market rent.

With this in mind, there are three possible options for setting a new rent level:

- 4.7 **Option A: Social Rent** → Currently the scheme is collecting £6.6k per week with weekly rents ranging from £120 to £135. These are far higher than Reading's social and adjusted social rents, which is to be expected, as supported housing rents are always higher than social housing rents, due to the higher service need. As such it is not proposed that rent is based on social rent or adjusted social rent as this would lead to a loss for the Council as costs to run the scheme would be unlikely to be covered.
- 4.8 **Option B: Affordable rent** → Affordable rent is often below LHA and doesn't take into account the cost associated with running a support living scheme as set out in 3.6. As such it is not proposed that rent is based on affordable rent as again this would lead to a loss for the Council as costs to run the scheme would be unlikely to be covered.
- 4.9 **Option C (recommended): The LHA level** → The LHA provides an indication of what Housing Benefit can be claimed based on the size of the property rented. As described in 3.4 rent within the scheme does not need to be capped at LHA due to its exempt status. Whilst the shared accommodation rent within the scheme is above LHA, which is to be expected given the higher service need, the one bed self-contained flats are below LHA. In order to rectify this disparity and to ensure that all properties are contributing effectively towards the costs of the scheme it is proposed that the one-bed self-contained flats are increased to LHA level for this type of accommodation. This would ensure that shared accommodation rents are not 'propping up' costs across the whole scheme. Also applying a further 1.7% (CPI plus 1%) at October each year in the following April. CPI was 0.7% in October 2020, so the increase from 1st April 2021 in line with social rent and affordable rent this would increase total weekly rent to £7.5k. Over a year this would add an additional £21k of rental income (assuming 5% voids).

The impact of this option on people who live in the properties is detailed below.

Of the 54 current units of accommodation:

- 48 shared accommodations rent will remain the same, bar an increase of CPI (as at October 2020) +1% as described in section 10, as they already align with the LHA.
- 6 are in one-bedroom self-contained flats and will be affected by the proposed change to rent - which would be set at £182.96 per week. This along with the increase of CPI (as at October 2020) +1% creates an increase per week of £50.73 (35%) for 6 clients who currently pay £135.34 per week in rent

All 6 individuals living in the one-bedroom self-contained flats are receiving either Housing Benefit or Universal Credit. The individuals who are in receipt of Housing Benefit will not need to do anything as Housing Benefit will be advised of the rent change and changes to the transfer of funds to pay rent will happen automatically. The individuals who are in receipt of Universal Credit will need to update their journal to show the change in rent from the date specified. Support will be offered to them and their support workers to carry out this task via written guidance and one to one support. All individuals will continue to have their rent paid by these welfare benefits and will not see an impact on their own personal finances.

- 4.10 It has been considered whether an increase in the weekly rent for residents in one-bed, self-contained accommodation would be a disincentive to finding employment as if that were to happen their welfare benefits may stop or be affected meaning that the resident may need to pay rent from their own personal finances. Due to the needs of the residents within the scheme, employment is sometimes not an option, however

staff continue to support individuals to seek employment where possible and to access their full entitlement of benefits ensuring that they understand their options. The Locality Manager responsible for this service area has confirmed that this summation aligns with the service users' care and support plans.

- 4.11 **Rent Increases 2022/2023 - 2024/2025** This report also recommends that an automatic rent increase of CPI+1% is applied for the following three years. As CPI changes on a monthly basis CPI in January will be used to calculate the following years rent commencing from April as this allows enough time for the rent collection system to be updated and for residents to be made aware of the proposed change in rent. This annual increase will ensure that the rents remain in line with social rent increases. As noted in 3.5 (above), an increase of up to CPI+1% has been agreed by central government for a period of at least five years from 2020 for social rent and affordable rent properties.

4.12 **Planned Maintenance**

Faithful+Gould, an independent project and programme management consultancy was commissioned in 2019 to conduct a survey on Supported Living properties. They delivered a 5 year forward maintenance plan in January 2020, costed using a schedule of rates and prices compiled for use as an indication of budget cost only. It should be noted that the plan covers forecasted works proposed with consideration to a normal level of wear and tear only, reflective of the current use of the building. Therefore, the plan does not take into consideration unplanned maintenance or repair.

- 4.13 The 5 year maintenance plan is all encompassing and covers work that is classed as 'urgent work required in one year that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of occupants and/or remedy a less serious breach in legislation' to 'desirable work required in 5 or more years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of occupants and/or remedy a minor breach in legislation'.

Other Options Considered

- 4.14 **Do nothing** → RBC could make no changes to rent, aiming to achieve savings through other means. However, given the current financial climate it is unlikely that other Adult Social Care projects or initiatives would be able to provide the additional income year on year from April 2021 that this proposal can deliver. It would also fail to address the disparity between levels of rent charged in the properties, and with the LHA.

5. **CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 The ongoing sustainability of Supported Living in Reading, supports the Council's Corporate Plan through its contribution to:
1. Ensuring access to decent housing to meet local needs
 2. Protecting and enhancing the lives of vulnerable adults and children
 3. Ensuring the Council is fit for the future
- 5.2 As well as contributing to the Council's Corporate Plan this project also supports the Council's strategic aim to promote equality, social inclusion and a safe and healthy environment for all.
- 5.3 Through the scheme providing the necessary care to individuals in need whilst maintaining and developing their independence the scheme promotes the health and wellbeing and sustainability of the adult social care offer.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 This proposal presents no adverse implication with respect to the environment, climate or to the Council's ability to respond to the Climate Emergency and achieve a carbon neutral Reading by 2030.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 The agreed proposal will be shared with those affected via a robust communications plan. Communications will include service users, their family and friends formally involved in their care and support and commissioned support providers and all will be given the opportunity to meet with officers for a discussion to understand the proposal.

- 7.2 It has been noted that stakeholders in Housing have raised the issue that properties may require significant maintenance and repair in order to remain at an acceptable standard - especially given the need to ensure that a proposed rent increase is reasonable and justifiable. This is acknowledged and has been detailed further in section 4.12.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 Consideration has been given to whether an Equality Impact Assessment is required, and it has been determined in consultation with the Council's Policy & Voluntary Sector Manager that an assessment is not required as the implementation of this proposal will not have a differential impact on any specific groups of people - whilst residents within the scheme will have protected characteristics under the Equality Act 2010 the proposed action is not having a differential impact based on those protected characteristics.

9. LEGAL IMPLICATIONS

- 9.1 Of the 44 current individuals within the scheme:

- **14 have signed licence agreements** → In line with legal advice, an increase to the weekly charge can be carried out upon a 28-day written notice of the increase to be provided to all residents based on the clause within the current licences expressly stating that the Council "will review charges from time to time and if it is necessary to increase them, the occupier will receive 28 days' notice in writing".
- **30 residents' have tenancy agreements that require updating** → this is believed by Housing to have been due to the length of time since their admission into the properties (i.e. 13 years in some instances). Adult Social Care, Housing and legal services are currently working in collaboration to ensure that all residents have an up-to-date tenancy agreement in place prior to the rental increase being implemented.

10. FINANCIAL IMPLICATIONS

- 10.1 The net budget for Supported Living is £290k pa. The recommended increases in the report will achieve an additional £21k pa as detailed in **Appendix 1: Rent increases per property**.

This will contribute to ensuring Adult Social Care have the means to balance the budget going forward with minimum use of one-off balances from the Maintenance sink fund.

11. RISKS

11.1 The tenancy agreements require updating to enable the rent increases to be made. Adult Social Care and Housing are committed to ensuring that these updates are made and the rent increases will not be implemented until this is done.

12. BACKGROUND PAPERS

12.1 N/A

13. APPENDICES

Appendix 1: Rent increases per property.

Table 1 - Rooms in a shared house - subject to an increase of 1.7% based on 2020 CPI (as at October 2020) + 1% as recommended in 4.9.

Property	Room number	Current weekly rent	2021/22 charge adding 1.7% October 2020 CPI of 0.7% + 1%.	Increase in rent in 2021/22
		£	£	£
1	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
2	1	125.00	127.13	2.13
	2	125.00	127.13	2.13
	3	120.00	122.04	2.04
	5	125.00	127.13	2.13
	6	125.00	127.13	2.13
3	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
4	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
	3	120.00	122.04	2.04
5	1	125.00	127.13	2.13
	2	125.00	127.13	2.13
	3	125.00	127.13	2.13
	4	125.00	127.13	2.13
	5	125.00	127.13	2.13
	6	125.00	127.13	2.13
6	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
	3	120.00	122.04	2.04
	4	120.00	122.04	2.04
8	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
9	1	125.00	127.13	2.13
	2	125.00	127.13	2.13
10	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
	3	120.00	122.04	2.04
11	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
12	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
	3	120.00	122.04	2.04

13	1a	120.00	122.04	2.04
	1b	120.00	122.04	2.04
	2	120.00	122.04	2.04
	3	120.00	122.04	2.04
	4	120.00	122.04	2.04
	5	120.00	122.04	2.04
	6	120.00	122.04	2.04
14	1	120.00	122.04	2.04
	2	120.00	122.04	2.04
	3	120.00	122.04	2.04
	5	120.00	122.04	2.04
	6	120.00	122.04	2.04
	7	120.00	122.04	2.04
	8	120.00	122.04	2.04
Total per week		5,820.00	5,919.00	99.00
Total per annum (using 52.14 weeks)		303,454.80	308,616.66	5,161.86

Table 2 - One-bedroom, self-contained flats - subject to a rent increase in line with LHA and an increase of 1.7% based on 2020 CPI (as at October 2020) + 1% as recommended in 4.9.

Property	Flat number	Current weekly rent	2021/22 charge increasing rent to LHA and adding 1.7% based on October 2020 CPI + 1%.	Increase in rent in 2021/22
		£	£	£
7	1	135.34	186.07	50.73
	2	135.34	186.07	50.73
	3	135.34	186.07	50.73
	4	135.34	186.07	50.73
	5	135.34	186.07	50.73
	6	135.34	186.07	50.73
Total Per Week		812.04	1,116.42	304.38
Total Per Annum		42,339.77	58,210.14	15,870.37