



ALL COMMUNICATIONS TO BE ADDRESSED TO THE CHIEF EXECUTIVE/CLERK

# Onchan District Commissioners

BARRANTEE ARDJYN CHONNAGHYN

Main Road, Onchan, Isle of Man, IM3 1RD

All enquiries to: Tel: (01624) 675564 email: admin@onchan.org.im

10<sup>th</sup> April 2018

Mr R. Callister MHK  
House of Keys  
Legislative Buildings  
DOUGLAS  
Isle of Man  
IM1 3PW

## OPEN LETTER

Dear Mr Callister

### Re: Onchan Social Housing Tenants - Rent Rebate

I write further to your letter of 5<sup>th</sup> of April 2018, regarding the above. This was considered at the meeting of the Board of Commissioners held on Monday 9<sup>th</sup> April 2018.

In response, I would first draw your attention to the decision of the Board as noted in the minutes of 30<sup>th</sup> October 2017. Members viewed the rent paid by social housing tenants as a separate issue to the actual operational costs, not an unreasonable position as the governments of the day since January 1999 have also done so by virtue of making a deficiency payment to cover the difference. It was agreed by the Board at their October 2017 meeting that any rent rise would add to the hardship already being felt by tenants on low and fixed incomes and it was on this basis that the Board recommended to the Department of Infrastructure a 0% rent increase for the 2018/19 financial year.

Also considered at the October meeting was a paper from the Deputy Clerk dated 20<sup>th</sup> October 2017. A copy of this paper was circulated with the documents for the ... public session of the meeting of 9<sup>th</sup> April, but I enclose a copy for your ease of reference. The Board noted the comparison of allowances paid to UK-based housing Authorities against those set by the Department of Infrastructure for Manx providers. As you can see, there is a significant shortfall between the allowances for UK providers compared to their Manx counterparts. Given that costs in the UK are generally less than those for any given item or service in the Isle of Man, it is for the Department of Infrastructure to explain why the Manx allowances are significantly lower. The Commissioners have asked for an increase in allowances to at least bring the financial provision level with the UK average, but have not had a response from the Department.

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Mr R. Callister MHK  
10<sup>th</sup> April 2018

You will also be aware that the Department of Infrastructure took a unilateral decision in 2016 to combine the revenue accounts of Onchan relating to general housing stock and elderly persons accommodation. At the time this was done, the general housing revenue account was generating a surplus which was being reinvested in the stock, while the elderly persons accommodation was receiving approximately £300,000 per year in deficiency payment to meet operational costs. This deficiency payment for elderly persons accommodation is common throughout the Island and indicative of the fact that the rents approved under the Department of Infrastructure criteria do not meet the cost of provision.

Following amalgamation of the revenue accounts, the Department of Infrastructure no longer support the operational cost of our elderly persons accommodation, which is now being subsidised from the rents of our general housing stock. This subsidy equates to £750 which has to be taken directly from the rents received from every household in our general stock before any of their rent income can be used for the maintenance and service provision of those properties.

The Minister for the Department has already been approached to review the decision to combine these accounts as all other elderly persons accommodation on the Island still receives a deficiency payment from central government. The Minister has declined to the review the decision, and we would urge you and the other Members serving constituents in Onchan to press the Minister to think again regarding his decision, which is both inequitable and punitive to the tenants of Onchan's social housing, or explain why he thinks this situation is acceptable and should continue.

Until the status quo regarding deficiency payments to cover the financial shortfall in operating elderly persons accommodation is restored, this Authority has no latitude to consider varying the rent currently charged in its social housing. If you and your colleagues in Tynwald can get the Department of Infrastructure to restore the deficiency payment in respect of our elderly persons accommodation, I am sure the Members will be happy to consider taking such action as they can in order to relieve hardship of our tenants.

Continued ...../3

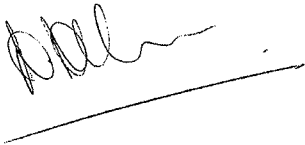
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Mr R. Callister MHK  
10<sup>th</sup> April 2018

I stress that the resolution to this problem and the hardships caused to our tenants lies with you and your colleagues, in particular the other member for Onchan, Mrs Edge, as the member of Department of Infrastructure with responsibility for housing.

In response to your suggestion that Onchan Commissioners "be bold and simply not apply the 3.1% rent increase". This is not an option for the Commissioners, to openly defy a government directive and not a course of action we would be party to. The legislation clearly states, that any variation is "subject to the approval of the Department" and historically we have no record of cases of this nature. Lobbying the Minister to reconsider his decision would be a more sensible and appropriate course of action and we hope for your support in this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Allen', is written above a horizontal line.

Anthony Allen  
Chairman  
Onchan District Commissioners.

c.c. Minister for Department of Infrastructure, Ray Harmer, MHK  
c.c. Mrs J. Edge, MHK, Member for Housing.

# MEMORANDUM

<b>To:</b>	All Members of the Board of Onchan District Commissioners		
<b>From:</b>	Tim Craig Deputy Clerk		
<b>Ref:</b>	Social Housing Rents 2018/19		
<b>Date:</b>	20 <sup>th</sup> October 2017	<b>File Ref:</b>	

Members will be aware that all local authorities who provide social housing are asked by the Department of Infrastructure on an annual basis to give their view on potential rent increases for the next financial year. This Authority has again received such a request, but it differs to previous years in that the Authority is asked to provide evidence to support its view. This paper has been prepared to provide some background and assist Members in reaching a decision.

This local authority provides both general housing for any appropriate applicant and sheltered housing specifically for older persons. With the addition of the new development at Marion Road, there are 409 general stock units and 100 sheltered housing units. While nominally rent levels are under the control of the landlord authority, the Department of Infrastructure has the legislative power to approve, or not, any rent the landlord wishes to set. In practice, this translates into the Department telling the landlord authorities what the rent for their properties will be.

Historically, the finances of these two housing streams have been accounted for separately, with the general housing stock showing a surplus of income over expenditure in recent years while the sheltered housing has always shown a deficit. The deficit has normally been claimed back from central government by virtue of the housing deficiency payment. As Members are aware, this is no longer the case as the Department directed that the revenue account for sheltered housing in Onchan be combined with the revenue account for general housing. This has been discussed by the Board recently, and the decision is being contested.

The surplus income arising from rents of general stock has previously been used to increase the general stock housing reserves from which major reinvestment schemes are funded. Effectively, the money generated by general housing is used to support major refurbishment and development opportunities for general housing upgrades, and the creation of additional units such as those in Marion Road. The Department's decision that the general and sheltered accounts be combined, and the surplus of one should offset the deficit of the other, leaves little or no surplus to fund reinvestment.

The formula by which the rent for an individual property is calculated was last reviewed in 2012, and the additional points for sheltered properties to cover service provision was increased from 6.45 to 9. The current additional point income after annual rises over the period, is £3.50 per week or £182.00 per year. This small additional element on the rent does not cover the cost of providing the elderly persons accommodation over the cost of similar-sized properties in general stock. The deficit between rent income and expenditure on sheltered housing was running at approximately £300,000 per year, or £3,000 per unit when calculated in 2016. A copy of the Tynwald answer given in December 2016 providing figures on deficiency payments in respect of sheltered housing is attached at Appendix A.

The rent levels for both general and sheltered stock are ultimately agreed by the Council of Ministers (CoMin), and have been for many years. As a consequence, the rents for sheltered housing throughout the Island have been set at such a level as to be not economically viable, and the difference between the rent paid by tenants and the actual running costs has always been met by payment from central funds of a deficiency grant. By amalgamating the general housing and sheltered housing revenues in Onchan, CoMin is effectively forcing those on very limited incomes to support its political decision to subsidise sheltered housing.

The Homes and Communities Agency in the UK published a study dated June 2016 and titled *Delivering Better Value For Money: Understanding Differences In Unit Costs*. Figures in this report show that the median social housing cost per unit in the UK was £3,340 in 2015. This figure comprises £1,360 for management and service charge costs, £980 for maintenance costs, £800 for major repair costs and £200 for other social housing costs. The appropriate table from the report is attached as Appendix B. However, further interrogation of the information provided indicates a hypothetical baseline figure of £3,300 per unit but with an

uplift of a further £1,800 per unit in respect of housing for older people. These figures do not include capital costs and loan repayments, and are therefore “operational” costs.

Translating these figures into nominal sheltered costs for this Authority, £3,300 + £1,800 = £5,200 per unit, multiplied by 100 units gives a potential required minimum expenditure of £520,000. The actual income figure for the Onchan elderly persons rents in the current year is approximately £425,000. This is a minimum of £95,000 below the UK nominal operational costs, not taking into account our outstanding loans and capital repayments, and a full £175,000 under the true cost. It should be noted that there are many providers in the UK with operating costs significantly higher than the nominal figure quoted here, and charge rent accordingly. It follows that unless the true cost of service provision is met by the rent income from Onchan’s sheltered housing accommodation, the Isle of Man government will now expect the tenants of our general housing to subsidise the deficit.

In terms of general housing stock, the management allowance stipulated by the Department of Infrastructure is 5.5% of rents receivable. In Onchan, this equates to £95,239 based on rents of £1,731,619 for general stock and £23,380 based on rents of £425,096 for sheltered accommodation in the 2017/18 year. This is a total of £118,619 for all housing administration. Applying the UK median allowance of £1,360 per unit to our 501 units gives a figure of £681,360, a difference of £562,741. It follows that the Isle of Man Government is using a dramatically lower figure than the UK median and is underfunding our housing administration to a significant degree.

A further instance of underfunding is demonstrated in the maintenance allowance, which is set by the Isle of Man government at 24.7% of rents receivable, giving a total for Onchan of £532,709. Again using the UK combined allowances for Maintenance and Major Repairs of £1,780 per unit multiplied by 501 units, this would equate to £891,780 for our stock. A shortfall of a minimum of £359,071. Further analysis of UK median allowances applied to Onchan stock appears at Appendix C.

For the reasons given above, particularly the iniquity of taking money from those on low incomes in general stock to subsidise the artificially low rents of those in sheltered accommodation who may be able to pay more, it is recommended that there be proposed an increase in sheltered housing rents of not less than 5% with a view to moving up to a rent

which reflects the cost of service in the coming years, and an inflation only increase in general housing. The above comparison also reflects the fact that the Isle of Man providers are operating on significantly lower allowances per unit than their UK counterparts, and the Department should be pressed for a more realistic award.

For your consideration please.

## HOUSE OF KEYS, TUESDAY, 6th DECEMBER 2016

Table 2.2.A

	2013/14	2014/15	2015/16
Braddan	126,367	78,902	39,505*
Castletown	0	0	0
Douglas	434,767	720,652	348,750*
Malew	0	0	0
Onchan (Inc. EPH)	304,419	310,202	291,556
Peel	480,813	550,541	378,370
Port Erin	64,052	56,897	119,508
Port St Mary	60,021	43,451	31,413
Ramsey	1,176,414	1,219,231	1,099,171
Rushen	6,915	3,865	3,769
Castletown & Malew EPHC	181,481	187,750	172,800
Cooil Roi EPHC	116,910	173,918	128,198
Marashen Crescent EPHC	416,314	618,243	312,380
Peel & Western EPHC	315,511	278,796	313,655
Ramsey & Northern EPHC	381,677	19,789	275,577
Royal British Legion	49,975	24,523	0
	<b>4,115,637</b>	<b>4,286,761</b>	<b>3,514,652</b>

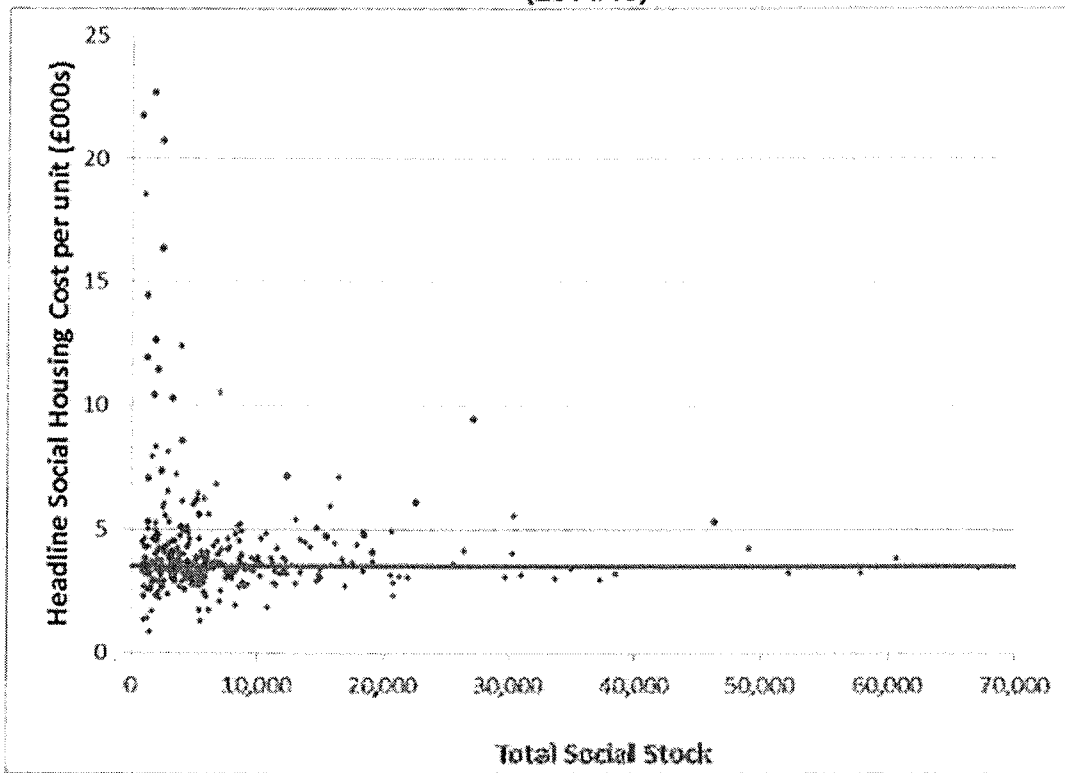
\*Subject to final balancing figure.



Table 2: Average unit costs (Source: 2015 Global Accounts)

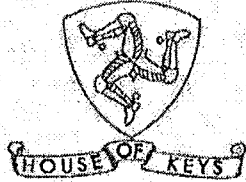
	Sector mean (weighted <sup>2</sup> )	Median by provider (unweighted)
Management & service charge costs	£1,540	£1,360
Maintenance costs	£1,010	£980
Major repairs costs	£930	£800
Other social housing costs	£470	£200
Headline social housing costs	£3,950	£3,550

Figure 3: Headline social housing cost per unit by total social stock (2014/15)<sup>3</sup>





Appendix 10.3



House of Keys  
Legislative Buildings  
Douglas  
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British Isles

Y Chiare as Feed  
Oikyn Slattyssagh  
Doolish  
Ellan Vannin  
IM1 3PW  
Ny Ellanyn Goaldagh

Tel: 01624 651513  
Email: rob.callister@gov.im

Our Ref: RC/18/53

5<sup>th</sup> April 2018

**OPEN LETTER**

The Chairman  
Board of Onchan District Commissioners  
Hawthorn Villa  
Main Road, Onchan  
Isle of Man  
IM3 1RD

**Onchan Social Housing Tenants – Rent Rebate**

I would like to draw the Board's attention to a meeting I attended on Wednesday 28th March 2018.

Having raised various questions on the floor of Tynwald and in the House of Keys since September 2016, the Minister for the Department of Infrastructure Ray Harmer, MHK scheduled a meeting to discuss my concerns relating to Social Housing, and those tenants who are paying more than 30% of their available income just on rent, which includes any rates due to the Local Authority.

I am sure my colleagues on the previous Board of Onchan Commissioners will know that I have been trying get an element of fairness in respect of Social Housing rent levels in recent years, especially when rents for Local Authority Social Housing have increased by between 25% and 40% over the past five years.

The meeting was also attended by Julie Edge, MHK who has political responsibility for Public Estates and Housing Division, Deborah Reeve, Director of Public Estates and Housing Division, Eric Whitelegg, Housing Quality, Business Improvement Manager, along with Ross Stephens, Director of Social Security.

As I mentioned in a social media post recently, it isn't the actual rent levels that concern me but the overall increases being imposed on tenants year on year without the implementation of a fair Means Testing system, in order to truly evaluate a tenant's ability to pay these increases.

Means Testing for Social Housing was discussed briefly during the meeting, but this matter is now under review by the Cabinet Office and their response will be published in line with the Programme for Government by December 2018.

Therefore, the meeting focused just around my initial concerns and questions raised, which included those Social Housing tenants who are of pensionable age or above, are retired and in receipt of the Basic State Pension, which is £122.30 (Basic State Pension) and the £53.75 (Manx Supplement), along with SERPS or Graduation built up over a working life.

Several Pensioners have contacted me over the past 12 months confirming that they are basically living off around £185 per week, and therefore now paying around 40% of their available income just on Social Housing rent, which includes any rates due to the Local Authority.

It was confirmed at the meeting that after such tenants have paid their Social Housing rent (maximum that can be claimed is up to £116 per week) they are still guaranteed to have at least £171 per week to

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Ellan Vannin  
IM1 3PW  
Ny Ellanyn Goaldagh

Tel: 01624 651513  
Email: rob.callister@gov.im

meet their living expenses, but this could be as much as £186 per week if they get any state additional pension, occupational pension or personal pension.

In other words, any Social Housing tenant above pensionable age who is currently left with less than £186 per week once they have paid their rent needs to contact Social Services in order to claim any additional money they may be entitled to.

We then discussed the other Social Housing Tenants, including those Tenants who are now considered retired, but still under the pensionable age, and therefore living off a Low or Fixed income and paying considerably more than 30% of their available income on Social Housing Rent.

Putting aside the wider discussion relating to Social Housing Tenants who decide to retire early, what we do know is that these tenants did not foresee the island's housing rent levels increasing between 25% and 40% since 2013, but at the same time their income levels have remained mostly unchanged.

Their financial circumstances will certainly improve once they have reached pensionable age, but in the meantime they are clearly struggling financially, and therefore require some additional support from the Landlord, which is the Local Authority or the Department of Infrastructure in respect of the Government's own housing stock.

Having raised my concerns directly during the meeting with the Department of Infrastructure, as the Local Authority Housing Regulator, they drew my attention to the **Isle of Man Housing Act 1995**, particularly **Section 49 – Conditions to be observed in Management of Local Authority Houses:**

*"2) The Authority may, subject to the approval of the Department, grant to any tenant such rebates from rent, subject to such terms and conditions, as they may think fit.*

*3) The Authority shall from time to time review rents and (subject to approval of the Department) make such changes, either of rents generally or of particular rents, and rebates (if any) as circumstances may require."*

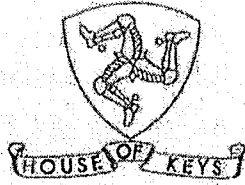
Given the fact that the Board of Onchan District Commissioners recommended a zero increase in Social Housing Rents from 1st April 2018, I would like the Board to consider implementing Section 49, subsections (2) and (3), especially when evidence is presented to Onchan Commissioners as the Landlord by tenants found to be paying more than 30% of available income on rents, which includes any rates due to the Local Authority.

The Department of Infrastructure also drew my attention to the threshold of affordability in respect of Social Housing rent, which includes confirmation that 35% of disposable income has traditionally been used as the threshold for affordability in the UK (Reynolds 2011) and a paper from Loughborough University, a copy of the paper is enclosed.

I have also seen other reports that said the threshold of affordability in respect of Social Housing rent should be between 25% to 35% of their available income.

Given the fact that the overall cost of living here on the Isle of Man, especially in respect of food and utility bills is far higher than the UK, I hope the Board of Onchan District Commissioners will seriously

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IM1 3PW  
Ny Ellanyn Goaldagh

Tel: 01624 651513  
Email: [rob.callister@gov.im](mailto:rob.callister@gov.im)

consider leading the way in introducing a rebate scheme for those Social Housing tenants found to be paying more than 30% of their available income just on rent, subject to evidence being presented to Housing Officers for inspection.

Alternatively, the Board of Onchan Commissioners could be bold and simply not apply the 3.1% rent increase proposed by the Department of Infrastructure and supported by the Council of Ministers, which came into force on 1st April 2018.

It would certainly help many Onchan tenants who have struggled to keep up with the level of increases in recent years, especially when wages haven't increased by 25% to 40% over the past five years.

If you require any further information then please do not hesitate to contact me.

Yours sincerely

**Rob Callister TEP, MICA, CMgr, MCFI, MHK**  
House of Keys Member for Onchan

Mobile; 07624 457511  
Home; 01624 664475  
E-mail; [rob.callister@gov.im](mailto:rob.callister@gov.im)

CC: Ray Harmer, MHK  
Julie Edge, MHK