
COUNCIL HOUSE RENT & SERVICE CHARGE SETTING 2023/24

Purpose of Report

1. The Cabinet Report, attached at **Appendix A** (*and its subsequent Appendices*), are due to be considered by Cabinet at its meeting on 15 December 2022. The purpose of this Cover Report is to provide Members with background information, and to act as a signposting tool, to enable their pre-decision scrutiny of the report to Cabinet.

2. Members are to note there are three key aspects of the Cabinet Report (**Appendix A**). The key aspects are:
 1. For Cabinet to approve the proposed approach for setting the rents and service charges for Council owned dwellings during the financial year 2023/24 (*It is proposed to increase Council rents by the maximum 6.5% and to also increase service charges by 6.5%, or by actual costs where known*).

 2. For Cabinet to consider efficiencies to address the estimated budget deficit in the Housing Revenue Account for 2023/24. (*The Cabinet Report advises that after the proposed increase there will be an estimated £2.213m shortfall in the Council's Housing Revenue Account*)

 3. For Cabinet to be briefed on the help and support available to Council tenants who are struggling with the cost-of-living.

3. Committee Members are advised the Cabinet Report is attached at **Appendix A**, which includes the following Appendices:

➤ **Appendix 1 - Council Tenant Consultation Report**

Presents the findings from the Council Tenant Survey conducted between October 20th and 16th November 2022. The survey was sent to 2,771 tenants, 54 responded and the results to that survey are presented in this appendix.

➤ **Appendix 2 - Affordable Rents Report**

Modelling of how the Council determined affordability of the proposals.

➤ **Appendix 3 - Proposed Service Charges**

Full list of the proposed service charges for 2023/24

➤ **Appendix 4 - Equality Impact Assessment**

The Cabinet Report confirms in completing this assessment (against the proposed rent and service charges), it did not give rise to any concerns.

Scope of Scrutiny

4. During this scrutiny, Committee Members will have the opportunity to:

- Explore the proposed rent and service charge increases, including how the decisions were made and the modelling applied.
- The proposed efficiency savings to address the estimated £2.213m shortfall in the Council's HRA.
- The current consideration to medium and long-term planning, particularly given the current financial volatility.
- The impact of the proposals on Council tenants

5. The Cabinet Member, Councillor Lynda Thorne (Housing & Communities) will introduce this item, after which, Committee Members can explore the proposals with the Cabinet Member and officers from the Adults, Housing & Communities directorate.

6. Following Committee Members' review of the proposals, they will decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration.

Background

7. The Council's, Housing Revenue Account (HRA) records income and expenditure of the Council's 13,852 council homes. The monies within the HRA is ring-fenced for landlord functions and can not be used for other purposes. As such, decisions on the setting of rents and service charges is a key factor in determining the future resources available to the HRA.
8. As Committee Members were informed in their October 2022 meeting, the Renting Homes (Wales) Act 2016, requires landlords to give tenants two months' notice of rent change.

Rent Setting Policy

9. As detailed in **point 8 of Appendix A**, it is the Council's responsibility to determine rent levels. However, it must be done in line with the Welsh Government's Rent Policy Framework, which sets the following:
 - Social landlords must assess cost efficiencies, value for money and affordability for tenants.
 - The maximum overall rent increase allowance is the September Consumer Price Index (CPI) +1%. Should the CPI fall outside the range of 0% to 3%, the Welsh Government's Housing Minister will determine the appropriate change to rent levels.
In September 2022, CPI was 10.1%. As such, on 16th November 2022, the Welsh Government's Housing Minister announced the maximum rents can increase by is 6.5%.

10. **Points 10 to 16 of Appendix A** provides an overview of the rent increase modelling that was conducted. As part of the modelling, four options were considered:

1. not raising the rent,
2. raising the rent by 2%,
3. raising the rent by 4% and;
4. raising the rent by the maximum 6.5%.

11. As part of the modelling, consideration was also applied to Council rents being good value for money, affordability factors, the support available to tenants and the need to continue support tenants, build new council homes and maintain and improve existing ones.

12. Committee Members will note that in the Cabinet Report it confirms that 84.62% of Council tenants are in receipt of benefits to assist with their rent; and following national government's recent decision, pension and benefits will be increased in line with inflation.

13. Further, the Cabinet Report provides the view that even after a maximum rent increase of 6.5%, Council rents will remain good value for money and will also remain significantly lower than private rented sector rents. Further information on this is detailed in **point 45 of Appendix A**.

14. **Points 46 to 49 of Appendix A** detail how the proposed rent level increase of 6.5% have been determined as affordable against the Joseph Rowntree Foundation model. For Members information, the Joseph Rowntree Foundation Living Rent Model is a framework adopted by Cardiff Council (and other local authorities and housing associates) to determine rent affordability. The Joseph Rowntree Foundation Model uses lowest earners of Cardiff residents and assumes 28% of income is available to pay rent. The model is also adjusted to household size.

15. How the Council applied the Joseph Rowntree model to determine the affordability of a 6.5% rent increase can be seen in **points 46 to 49 of Appendix A and Appendix 2.**
16. Committee Members attention is also taken to **Point 42 of Appendix A, which** lists the agreement made by Cardiff Council with the Welsh Government to ensure Council tenants are protected inline with increases.

Service Charges

17. The Cabinet Report proposes that due to the high CPI (10.1% in September 2022), service charges are to also increase by 6.5%, or to increase by actual costs where known (such as heating and hot water).
18. Detail on the proposed increase in service charges can be found at **points 51 – 55 of Appendix A** with a full list of the changes provided in **Appendix 3.**

Issues

19. In consideration of these proposals, the Cabinet Report recognises the following as issues:
- ❖ The ongoing financial volatility, in particular inflation, and the rent setting policy ending in 2025 means there is significant risk to the HRA as the Council cannot control or effectively predict a key component of HRA business planning.
 - ❖ A 6.5% increase of Council homes rent is significantly below the current rate of inflation and will still leave an estimated shortfall of £2.213m on the HRA –there is a possibility this shortfall could be higher due to the current financial volatility and variables.

Point 17 to 19 of Appendix A details the impact of rent increases on the HRA.

Addressing the HRA deficit

20. To address the estimated HRA deficit of £2.213m, **point 21 of Appendix A** proposes the following efficiencies:

- ❖ Reduction in staffing (through deletion of vacant posts or voluntary severance)
- ❖ Reduction in non-staffing costs e.g., training and events budgets.
- ❖ Reducing capital expenditure including a review of spend in some areas of the Capital Programme such as garage improvement and estate regeneration.
- ❖ Reduction in proposed direct revenue financing

21. In addition, **point 23 of Appendix A** also proposes the following service changes could also help create savings:

- ❖ Increased opportunities for digitalization of services
- ❖ A review of the Responsive Repairs Service to ensure works are carried out by the most appropriate operatives.
- ❖ Review and alignment of back-office services and of senior management roles.
- ❖ Review of services that are recharged to the HRA.

22. The Cabinet Report recognises the impact of cuts to services would be severe as the service area also has to manage a range of other pressures such as:

- **Need for new Council homes**
(Detailed in point 25 of Appendix A)
- **Need to maintain and improve existing Council homes**
(Detailed in point 26 and 27 of Appendix A)
- **Increased demand on housing services**
(Detailed in points 28 – 31 of Appendix A)

Legal Implications

The Scrutiny Committee is empowered to enquire, consider, review and Recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

- i. Consider the information provided in this report, its Appendices and information received at the meeting;
- ii. Decide what any comments or observations it wishes to relay to the Cabinet.

DAVINA FIORE

Director of Governance and Legal Services

6 Dec 2022