

**COUNCIL HOUSING RENT & SERVICE CHARGE SETTING
2024/25**

**HOUSING & COMMUNITIES
(COUNCILLOR LYNDA THORNE)**

AGENDA ITEM:

Reason for this Report

1. To seek Cabinet approval for the approach to the setting of rents and service charges on council owned dwellings in the Housing Revenue Account for the financial year 2024/25.
2. To brief Cabinet on proposed efficiencies to be made in the Housing Revenue Account for 2024/25.
3. To brief Cabinet on the help and support available to tenants who are struggling with the cost-of-living crisis.

Background

4. The Housing Revenue Account (HRA) records income and expenditure arising from the provision of Cardiff Council's 13,937 council homes. The HRA is ringfenced for the council's housing landlord functions and cannot be used for other purposes.
5. The main source of income to the HRA is from tenants in the form of rents and service charges. The purpose of reviewing rents is to ensure the Housing Revenue Account has enough income to provide quality housing services for current and future tenants. Rental income allows the service to invest in the maintenance and improvement of existing homes and neighbourhoods; provide good tenant support services; contribute to the funding of our community Hubs and also build new homes.
6. The Renting Homes (Wales) Act 2016 came into force on 1st December 2022. This new legislation requires landlords to give tenants two months' notice of any change to rents. Previously only 28 days' notice was required.
7. To meet the new notice period requirements as laid out in the Act, rent and service charge levels are now decided ahead of the normal budget process annually. The detail of the HRA budget for 2024/25 and the finalisation of any savings proposals will still be considered as part of the Council's normal budget setting process in February.

Rent Setting Policy

8. Whilst the responsibility for setting rents rests with the Council, the Welsh Government rent policy framework sets limits and boundaries for this. These rules are as follows:
9. When determining the setting of rents and service charges, social landlords must make an assessment of cost efficiencies, value for money and affordability for tenants which should be discussed at Cabinet or Council.
10. The maximum overall rent increase allowable in any one year is the September Consumer Price Index (CPI) +1%. Should CPI fall outside the range of 0% to 3%, the responsibility will rest with the Housing Minister to determine the appropriate change to rent levels for the year.
11. In September 2023, CPI was 6.7%, well above the range allowed for by the policy. Therefore, a decision regarding the rent setting was required by the Minister. The Minister announced on the 27th October 2023 that the maximum that rents can increase by is 6.7%, it was confirmed that this is the maximum increase and decision making is with the Council. The Minister also confirmed that the commitments made by social landlords to prevent evictions and support tenants in 2023/24 must continue to be implemented. Details of these commitments can be found at paragraphs 62 - 71.
12. Uncertainty remains about future rent levels, due to the impact of inflation on the policy and the end of the current rent setting framework in 2025. This is a significant risk to the resilience of the HRA as it means that the Council cannot control or effectively predict a key component of HRA business planning.

Issues

Proposal

13. Following a full review, it is proposed that council rents should increase by the full amount allowed of 6.7%.
14. In considering the appropriateness of this level of rent increase the impact on tenants has been considered, including:
 - Whether Cardiff's rents are good value for money
 - The affordability of Cardiff's rents
 - The support available to tenants

The impact on the HRA business plan has also been considered including the ability to continue to:

- Maintain and improve existing homes
- Build new homes
- Support tenants

The Impact of Rent Increase on Tenants

The table below shows the impact on council average weekly rent levels of a 6.7% increase.

Property Type/Size	2023/4 Current Weekly Net Rent	2024/5 Proposed Weekly Net Rent (6.7% increase)	Weekly Increase
1 bed flat	£100.42	£107.13	£6.71
2 bed flat	£116.22	£124.01	£7.79
3 bed flat	£132.02	£140.87	£8.85
4 bed flat	£147.82	£157.72	£9.90
1 bed house	£113.63	£121.05	£7.42
2 bed house	£129.43	£138.08	£8.65
3 bed house	£145.23	£154.25	£9.02
4 bed house	£161.03	£171.44	£10.41

NB: rents above are based on 49 weeks collection and do not include service charges.

15. Cardiff's rents will continue to represent **good value for money**. Even after the application of the maximum increase, council rents will still be significantly lower than private sector rents. Council properties are also more energy efficient than private sector properties. (see paragraph 73 below for further information)
16. It has also been demonstrated that rents remain **affordable** at this higher level, with the new rent levels scoring well against the Joseph Roundtree Foundation (JRF) living rents model (see paragraph 52 to 55 below for further information).
17. While any increase in rent is difficult at this time, it should be noted that 86% of council tenants are in receipt of benefits to assist with their rent. In the majority of cases these tenants will have any increase in rent covered by an increase in their benefits. In November 2023, it was announced that from April 2024, benefits including Universal Credit will rise by 6.7% and the state pension will increase by 8.5%.
18. For those who do struggle with their rent payments a **range of support is available** to tenants to assist with their finances including a supportive rent arrears pathway focused on resolving issues together with a dedicated Welfare Liaison Team, this support and its success is set out at paragraphs 59 to 60.
19. As in 2023/24, a commitment has been given that there will be no evictions due to financial hardship for the term of the rent settlement in 2024/25, where tenants engage with officers.

Impact of the Rent Increase on the Housing Revenue Account

20. Prior to the announcement by the Minister of the maximum rent increase, all Local Authorities were asked by Welsh Government to model the impact of four rent increase options on the delivery of the HRA Business Plan, 2%, 4%, 6.5% and 8%. The table below shows these impacts:

Rent Increase Modelling

Rent Uplift %	Income Loss/(Gain) Compared to HRA Business Plan assumption of 5.3% 2024/25	Inflationary cost increase forecasts compared to HRA Business Plan 2024/25 (includes increased cost of borrowing)		Estimated Total Revenue Shortfall/ (Surplus) 2024/25
		Management and Supervision	Revenue Repairs and Maintenance	
	£'000	£'000	£'000	£'000
2%	2,971	1,339	459	4,769
4%	1,171	1,339	459	2,969
6.5%	(1,081)	1,339	459	717
8%	(2,431)	1,339	459	(633)

21. As can be seen above, all the rent increase options that were modelled resulted in a deficit to the HRA other than an 8% increase.
22. Following the announcement by the Minister that the maximum increase would be 6.7%, this figure was also modelled to assess the impact on the delivery of the HRA Business Plan. This high-level modelling indicates a potential revenue budget shortfall of £537,000 based on estimated cost pressures.
23. The following assumptions have been made in producing the above figures:
- Income loss/(gain) scenarios set out a comparison against the current 30-year HRA business plan which assumed a 5.3% rent uplift for 2024/25.
 - Management and supervision - staffing cost impact is based on the 2023/24 budget uplifted for the latest pay award offer.
 - Management and supervision – non staffing cost increase is based on the 2023/24 budget uplifted by assumed average inflationary increases across all budget heads reflecting the current range of pressures.

- Revenue repairs and maintenance - uplifted by assumed inflationary increases across all budget heads.
- The rental impact is added to the cost impact to give an overall potential revenue budget shortfall as compared to the 2023/24 HRA business plan.

24. This is a high-level interim assessment of the impact of various factors on the 2024/25 budget and funding requirement. The current volatility in costs and uncertainty as to how these variables are likely to develop make any predictions very difficult at present and these estimates are likely to change over coming months. An up-to-date assessment of these variables will be included in the detailed budget that will be developed in the next few months to be presented to Cabinet for approval in February 2024.

Increase in Borrowing Costs and the Cost of Energy and Materials.

25. Borrowing costs within the HRA are substantial and increases over the last few years are linked in the main to the successful delivery of the Directorate's house building programme. Other costs are also impacting on the HRA such as material cost inflation and increases in energy costs. It is envisaged that both material cost inflation and energy costs may have stabilised, but any further fluctuations can impact negatively on the HRA and will need to be monitored closely.

The Impact of Universal Credit on Rent Recovery Levels

26. In Cardiff, from October 2023 those in receipt of Tax Credits were migrated onto Universal Credit (UC). A date for full migration for all benefit claimants in Cardiff has not yet been finalised. This change is likely to place additional pressures on rent arrears collection rates. To help mitigate this, as well as all of the support that is in place for all tenants, who fall into rent arrears as detailed in paragraphs 56 - 61, processes are also in place to request that the housing element of UC is paid directly to a tenants rent account for those who are in two months arrears or more.

27. A rent increase lower than 6.7% would have a significant and ongoing impact on the Council's ability to maintain existing homes and build new homes. Cuts to services would be required that would impact on the most vulnerable of our tenants.

28. It should also be noted that these figures do not include any amounts to address the current and emerging service pressures that are outlined below.

Addressing the Budget Deficit

29. As stated above, even when applying a 6.7% increase the modelling shows that a deficit of £537,000 would occur. Therefore, efficiencies would need to be made in order to ensure that the HRA Business Plan is sustainable.

30. A full review of HRA expenditure has therefore taken place and a number of areas have been identified where efficiencies can be made. This includes:
- Review of the Senior Management Team
 - Alignment of Advice Services
 - Review of staffing establishments and related funding requirements
31. It is anticipated that the savings identified in these areas will mitigate the estimated £537,000 revenue shortfall that would result from the application of a proposed 6.7% rent increase.
32. Additional opportunities for service change that will create savings will continue to be explored next year, including:
- Increased utilisation of Community Hubs.
 - An increase in digital solutions for customers who contact services in Housing & Communities.
 - Review of the Responsive Repairs Unit processes
 - A full review of Caretaking Services
33. While opportunities for savings will continue to be sought, the impact of any cuts to services and investment in homes at this time would be severe. The service is currently responding to a range of additional pressures, and these are set out below:

The Need to Maintain and Improve Existing Properties

34. All social housing must be maintained and kept in good condition. The Housing Revenue Account or HRA pays for the maintenance, upkeep and upgrading of council housing. In addition to responsive repairs, a programme of planned works is in place to ensure that council homes are maintained and upgraded in a timely manner.
35. All social landlords in Wales are responsible for meeting and maintaining homes to the housing quality standard. On 24th October 2023, Welsh Government announced that the existing Welsh Housing Quality Standard would be replaced with WHQS 2023. The new standard aims to address decarbonisation in the social housing stock and ensure that homes are of a higher quality and affordable to heat.
36. The standard includes a number of new requirements with significant implications for the HRA business plan:
- A whole stock assessment must be carried out by March 2027 and Target Energy Pathways must be produced for all properties.
 - All stock is to reach Standard Assessment Procedure (SAP) Energy Performance Rating (EPC) “C” by 2030, and EPC “A” by 2034 and carbon emissions from homes must be minimised by 2034.

- The new standard includes a range of other requirements on social landlords including the provision of suitable floor covering for all habitable rooms, staircases and landings at the change of tenancy, provision of water butts and water saving devices and external bicycle storage.
37. The cost of implementing the new standard will be significant and as yet there has been no indication that additional funding will be made available. A full assessment of the cost implications of this change is underway and will be included as part of the HRA Business Plan which is due to be considered by Cabinet in March 2024.

The Need to Build New Homes

38. There are currently 707 families, 806 single people and 186 young people residing in Temporary Accommodation in Cardiff. Combined waiting lists for Temporary Accommodation across the Single Person Gateway, Family Gateway and Young Person's Gateway are up by 150% in two years. Currently, over 150 units of hotel type accommodation are being utilised by families needing accommodation. All of these individuals and families will need to be provided with settled, permanent accommodation.
39. There are also significant issues in the private rented sector. Short supply of privately rented properties in the city is driving up rent prices which have increased by 16.1% since 2015. This increase is resulting in very few properties being let at, or close to the Local Housing Allowance Rate, the maximum that can be claimed in housing related benefits. The average shortfall across all property types according to data obtained by the Council's Private Rented Sector team in September 2023, is circa £62 per week. For 4 bedroomed properties the shortfall is around £145 per week. These issues in the private rented sector are causing more people to approach the local authority for help. 774 households presented to the homeless service in 2022/23 with a Section 21 Notice to Quit, averaging 65 per month. Compared to pre-pandemic levels, this is an increase of 446 notices (136%).
40. The cost-of-living crisis is expected to continue, with as many as 1.4 million households in the UK facing mortgage interest rate rises in 2023, this not only affects families and individuals but also private landlords who have buy-to-let mortgages. The majority of mortgage fixed term rates that will end in 2023 were set below 2%, representing a significant future hit to household budgets.
41. It is therefore more important than ever that Cardiff Council is able to provide good quality, affordable permanent housing to those who need it most and the ambitious new-build programme contributes significantly to this. The building of new homes is an investment in the future, and the rents from these properties will yield an income, that will, in time, repay any borrowing that was required to build the home. However, in the short term it is important that funds are available within the HRA to fund this capital investment.

Meeting the Demand on Council Services

42. There has been a significant increase in the needs of existing council tenants. Many tenants are vulnerable individuals who need support to remain in their own homes and to prevent eviction. The Tenancy Management Team are responsible for ensuring that tenants (contract holders) and leaseholders comply with their tenancy conditions or the terms of their lease, providing advice and guidance to tenants and leaseholders, identifying support needs and where necessary taking enforcement action. The team have reported that they are now dealing with an increasing number of tenants who have complex and challenging needs.
43. The Tenancy Sustainment Team work closely with other housing teams and take proactive measures to support vulnerable tenants to sustain their tenancy by utilising a range of support services and prevent enforcement action. The Tenancy Sustainment Team are now supporting 86 individuals, an increase of 22.8% on the same time last year.
44. The Welfare Liaison Team support tenants with budgeting, debt advice and income maximisation. More than ever this team needs to continue to carry out this vital work as the cost-of-living crisis continues to persist. The team has now aligned with Advice Services and since April 2023, over £2 million in additional benefits has been identified for council tenants, an increase of 26.4% on the same period last year.
45. The Community Hubs are seeing an increase in footfall month on month. These spaces are at the heart of the city's communities and are a vital lifeline to thousands of people. Footfall across Community Hubs has increased by 25% on the same period last year. The Hubs provide tenants (contract holders) with advice on tenancy issues, rehousing, homeless prevention, employment support, money advice as well as holding events for tenants of all ages to help them engage with the council and their community and to improve their wellbeing. Hubs are also providing Foodbank vouchers and parcels and Warm Welcome spaces over the winter.

Consultation with Tenants on the Rent Increase

46. Consultation with tenants took place between 25th September 2023 and 22nd October 2023. Given the time constraints it was necessary for consultation to take place before the decision of the Minister was received on the amount of the maximum rent increase. Given the significant impacts of a below inflation increase in rent, it was decided to consult tenants on:
 - Whether they considered their rents to be good value for money
 - A proposal to set rents at the full amount allowed by Welsh Government, as long as this was demonstrated to be good value for money and affordable.
 - If efficiencies were to be made, which areas we should prioritise to make those efficiencies.

47. The Consultation comprised of:

- An online survey. This was promoted through a wide range of channels, including the Cardiff Tenants website and 15 face to face events were held in Hubs across the city to encourage responses.
- In addition to this, front facing staff who have regular contact with tenants including the finance, welfare liaison and housing helpline officers promoted the survey when they were helping tenants with other enquiries.
- A paper survey was sent to 2,774 (20%) tenants, who were selected randomly.

48. 210 tenants responded to the survey. This is a 289% increase on the number who completed the survey in 2022.

49. The responses that were received are set out below:

- 55.2% of respondents fully or partially pay their own rent, so the impact of any rent increases would affect them the most.
- Overall, 77.6% of respondents thought their rent offered good value for money with 36.2% finding it very good value. Only 12.4% said that it was poor or very poor value for money.
- 69.5% agreed that Council rents should be set in line with the full amount allowed by the Welsh Government, as long as this is affordable.
- 83.3% tenants stated that they were not experiencing any difficulties in paying their rent, while 16.7% said that they were. 8.7% requested contact from officers to assist with payment of rent or any money issues they may have. These tenants will be contacted directly.
- Further information about the consultation can be found at Appendix 1.

Value for Money

50. All social landlords in Wales must consider affordability issues for tenants when proposing their rent increase to ensure rent and service charges represent value for money.

Comparison with the Private Rented Sector

51. The table below shows, that even when a 6.7% rent increase is applied, Cardiff's rents remain very good value for money when compared to private rents. As well as enjoying lower rents, council tenants also enjoy a wide range of services and support not available to private tenants as set out in the paragraphs above. In November 2023 it was announced that from April

2024, the Local Housing Allowance (LHA) rate will be increased for the first time in three years and will now cover the lowest third (30th percentile) of local market rents. The Department for Work and Pensions will inform the authority of the new rates for Cardiff, but these are not expected to be received until January 2024, so LHA rates for 2023/24 have been used in the following table:

Market rents compared to new proposed Council rents

No. of Bedrooms	Average Weekly Current Rent 23/24	Proposed Weekly Rent 2024/25 (6.7% increase)	Weekly Local Housing Allowance (23/24)	Average Weekly Private Market Rents (September 2023)
1	£106.24	£113.36	£120.82	£182.77
2	£122.43	£130.64	£149.59	£252.00
3	£140.81	£150.25	£178.36	£298.15
4	£156.06	£166.52	£218.63	£363.92

NB: Estimated rents above are based on 52 weeks collection and include estimated current service charges to make them directly comparable with LHA rates.

Average Weekly Private Market Rents have been calculated using information the Council's Private Rented Sector team have gathered using a survey of 381 properties available to rent in September 2023.

Affordability

52. The Joseph Roundtree Foundation (JRF) Living Rent Model has been used to review the proposed rents.

53. The model states that a Living Rent should be affordable for a household with someone in full-time employment and earning around the minimum wage. The model uses the earnings of the lower quartile (lowest 25%) of earners resident in Cardiff. The model assumes that 28% of income is available to pay rent. This figure is then adjusted for household size.

54. As can be seen from the table below Cardiff's rents are well below the JRF Living Rent, with a one-bedroom flat being £11.58 below and a 3-bedroom house being £34.70 below. For larger properties the difference is even greater with a £65.19 difference for a 4-bed flat and £52.26 for a 4-bedroom house.

Comparison of Council Rents with Living Rents

Property Type	<i>Proposed Cardiff Council Net Rent – per week 2024/25</i> 6.7% (before service charges are added)	<i>Proposed Living Rent – per week 2024/25</i> (before service charges are added)	Difference in charge per week (Total & %)
Bedsit	£85.08	£112.53	£27.45
			32.26%
1 Bed Flat / Maisonette	£100.95	£112.53	£11.58
			11.47%
2 Bed Flat / Maisonette	£116.86	£146.29	£29.43
			25.18%
3 Bed Flat / Maisonette	£132.74	£180.05	£47.31
			35.64%
4 Bed Flat / Maisonette	£148.62	£213.81	£65.19
			43.86%
2 Bed House / Bungalow	£130.11	£146.29	£16.18
			12.44%
3 Bed House / Bungalow	£145.35	£180.05	£34.70
			23.88%
4 Bed House / Bungalow	£161.55	£213.81	£52.26
			32.35%

55. The living rent for Cardiff has been calculated using the JRF formula and are calculated before service charges are applied. Further detail can be found in the Affordable Rents Report at Appendix 2.

Support Available for Tenants

56. There are a range of advice and support services to help tenants who are struggling to pay their rent or any other bills.

57. A new rent arrears pathway was introduced in 2021. This ensures that anyone experiencing rent arrears is able to access help and support easily

via a gateway approach. Practical support as well as financial help via Discretionary Housing Payments or the Homeless Prevention Fund is provided. In the first 6 months of this year, 361 social housing tenants have already been supported through this pathway.

58. A new Discretionary Hardship Scheme has been launched this year. This new scheme provides dedicated advice and financial assistance to Council tenants who are at risk of eviction due to rent arrears. The scheme is administered by the Housing Finance section and a decision to award financial assistance is made by a panel of three managers from Advice Services, Housing Finance and Benefits.
59. The Welfare Liaison Team are a dedicated team supporting council tenants and work alongside the Money Advice team to provide one to one help with income maximisation and budgeting. They provide a holistic service and act impartially to work out affordable repayment plans for rent and other household bills. Since April 2023, over £2 million in additional benefits has been identified for council tenants, an increase of 26.4% on the same period last year.
60. The Team has recently been aligned to the Council's Money Advice Service. This ensures additional capacity from the Adviceline is available so tenants can access support for longer hours, including late nights and Saturdays. This join-up of teams has also allowed Welfare Liaison officers to provide services from within the community and now provide services from 8 Community Hubs on a drop-in basis, increasing the reach of the team. The team also refer into more specialist support from partner organisations including Citizens Advice and The Speakeasy Law Centre.
61. Where finding work or upskilling a tenant would help improve their financial position, the Council's Into Work team provide a wraparound employment support service for people of working age 16+. The service is accessed by a single point of entry via a gateway and people are triaged to the most appropriate support. This includes job clubs, one to one mentoring, training and funding to help remove barriers into employment.

Additional Commitments to Support Tenants

62. As part of the rent settlement for 2023/24, Cardiff Council made an agreement with the Welsh Government to comply with a number of voluntary commitments to ensure that tenants, particularly those who pay all or part of their rent were protected. Welsh Government has confirmed that these existing commitments and initiatives must continue to be implemented going forward into 2024/2025. These commitments include:

There will be no evictions due to financial hardship, where tenants engage with officers.

63. Cardiff Council has not evicted a tenant who engaged with Finance Officers for rent arrears since March 2020 and continues to prevent evictions by using all resources available. This includes an emphasis on early intervention and prevention. In addition to this, a new multi-disciplinary panel has been

introduced, chaired by the Assistant Director for Housing and Communities to ensure that all support across the Council and partners is offered to the tenant to prevent eviction. This has proved very successful and tenants who have proved difficult to engage with are now on the right path to addressing their arrears and have been prevented from being evicted from their home.

64. As outlined in paragraphs 59 to 60, the Welfare Liaison Team, which is now aligned with Advice Services supports tenants via one-to-one help with income maximisation and budgeting advice. They provide a holistic Money Advice Service and act impartially to help tenants who may be experiencing difficulty in paying their rent and work out affordable repayment plans.
65. The Advice Service enables tenants to access a range of support including Food Bank Vouchers, Emergency Fuel Vouchers, Debt Advice, Universal Credit and other Benefits, Welsh Government Winter Fuel Support Scheme, Discretionary Assistance Fund, Disability Cost of Living Payment and the Pensioner Cost of Living Payment.
66. As detailed in paragraph 58, a new Hardship Scheme supports those tenants who are in crisis.

Take part in a joint campaign, encouraging tenants to talk to their landlord if they are experiencing financial difficulties and access support available, will be launched across Wales.

67. Cardiff Council takes a person-centred approach to rent arrears, with an emphasis on early intervention and prevention. Working closely with the Welfare Liaison Team, staff within the Finance Section can help tenants struggling at an early stage to prevent further action taking place. Considerable time and resources have been invested into assuring a balanced approach towards the collection of rent arrears. This approach, with the tenant at the centre of the process, has ensured that all services are working to provide the right support to address the tenant's needs. There is also a commitment to working with Welsh Government on any future joint campaigns.

Agreement to maximise the use of all suitable social housing stock, with a focus on helping those in the poorest quality transitional accommodation move into longer term homes that meet their needs.

68. 80% of general social housing lets are allocated through the Cardiff Housing Waiting List to homeless individuals and families in Cardiff, supporting those who need to move on from temporary accommodation by providing them with permanent, affordable accommodation. The current pressures on homelessness and temporary accommodation services across the city are significant and it is therefore vital to continue with the award-winning housebuilding programme to deliver the homes that are much needed.

A commitment to invest in existing homes to keep them safe, warm and affordable to live in.

69. It is essential that homes are maintained to a high standard. The Responsive Repairs Service which carries out repairs to council owned housing stock is currently undergoing transformational changes to improve the experience for tenants. Maintenance Persons complete minor jobs in properties, allowing skilled tradespeople time to carry out the more complex work, ensuring a rapid response to tenants.
70. The issue of damp and condensation in council homes is now being managed in a more effective and co-ordinated way. Following a review, changes have been implemented to improve the response to this important issue. A monthly Damp and Mould meeting with oversight by the Housing & Maintenance Board, is chaired by the Assistant Director for Housing & Communities. Additional resources have been allocated to this area and six new workstreams are being taken forward and are closely monitored via the Housing Management and Maintenance Board.

Building on existing engagement with tenants in rent-setting decisions, including explaining how income from rent is invested and spent.

71. The Tenant Participation Team consult directly with tenants and leaseholders, ensuring their voice is heard and giving them a say on how services can be improved. The team has recently undergone transformational change and rebranded as “Tenants Together”. There is now a focus on developing a co-produced engagement programme, including the development of focus groups to enhance decision-making, focusing on tenant’s views and opinions, allowing them a voice to be heard and to feel valued. Tenant’s contribution is also vital to ensure that value for money is delivered across all services, especially in the current cost of living crisis. Each year tenants are consulted on rent setting proposals.
72. These commitments will be continued to be delivered in 2024/25.

Energy Performance

73. The energy performance of Cardiff’s council homes is better than the average for any tenure. This makes Cardiff council properties more affordable to heat.

Tenure	Average SAP Ratings
Owner Occupier	62
Private Rent	63
Social Rent	71
Cardiff Council	72
Cardiff Council New Build	85

Service Charges

74. Social landlords are required to review service charges annually, to ensure they are reasonable, provide value for money for tenants and are affordable.

Landlords are required to list their service charges separately to the rent to allow for transparency to tenants.

75. Most service charges are eligible for housing benefit/universal credit, except where personal heating / water is provided.
76. In previous years, service charges have been based on the September CPI rate or on actual cost where this is known. It is proposed to continue with this approach and uplift service charges by 6.7%, in line with inflation, or by actual costs where these are known. The impact of this on the more commonly applied service charges can be seen in the table below.

Property Type	Average service charge 2023	Proposed Increase (6.7%)
Houses	£4.61	£4.92
Flats	£10.20	£10.88
Sheltered Bungalow	£17.83	£19.03
Community Living	£49.52	£52.84

77. It is proposed that service charges for personal heating and hot water, where provided, are based on actual costs (based on costs for September 2022 to August 2023). The personal heating charge within community living schemes would increase on average from £10.92 to £12.67 an increase of 16%. The maximum charge that would apply would be £16.75. Support will be provided to tenants to claim their entitlements under government schemes and any tenants suffering hardship will be offered help through the Council's own financial support schemes, available for those most in need.
78. A full list of service charge proposals can be found at Appendix 3. It should be noted that the costs of some specialist accommodation schemes are still being established and also costs for some contracted services for 2024/25 are not yet available. However, all service charges will either be increased by 6.7% or by actual costs where known.

Single Impact Assessment

79. A Single Impact Assessment including an Equality Impact Assessment has been carried out and did not give rise to any concerns. This is attached at Appendix 4. The proposals are in line with the requirements of the Future Generations Act.

Reasons for Recommendations:

80. To set the rents for council homes taking into account the needs of tenants, affordability and value for money and the requirement to set a sustainable budget for the Housing Revenue Account for 2024/25.
81. To set service charges for council tenants for 2024/25.

Financial Implications

82. The Council has a statutory duty to ensure that the Housing Revenue Account (HRA) achieves a balanced budget. Any liabilities of the HRA are ultimately liabilities of the Council and it is essential that the budget setting in any year has regard to robust viability and risk assessments, particularly in respect of the rent setting policy.
83. This report sets out the background to the current Social Housing Rent policy, the ministerial decision to set the maximum rent level for 2024/25 at 6.7% and the proposed approach to the setting of rent and service charge levels for 2024/25. This is aligned to the need to give increased notice periods to tenants for annual rent uplifts as a new legislative requirement of the Renting Homes Wales Act 2016 which came into force in December 2022.
84. While 6.7% is the maximum increase allowable for 2024/25, landlord decisions on rent must also consider the affordability of rents for tenants. The rent policy recognises the requirement to balance the needs of landlords with the interests of tenants and includes a requirement that social landlords make an annual assessment of affordability and cost efficiencies which demonstrate that their homes and services represent value for money. The assessment carried out as detailed at paragraphs 50 to 55 includes a comparison of rent levels with the private rented sector. Prior to determining the recommendations in this report, members should be content with the outcomes of this assessment.
85. This report sets out the potential implications of a rent uplift based on various scenarios as highlighted in the table at page 4 of the report. A decision to set rents at the maximum 6.7% is considered, based on current information, to have the potential to result in a revenue budget shortfall in the region of £537,000. It should be noted that this table sets out very high-level indicative positions based on assumptions and variables which are subject to change and will need to be firmed up as more information becomes available. These include, but are not limited to, inflationary pressures across a wide range of goods and services, interest rate movements, future pay award settlements and other full year impacts of the costed staffing establishment, progress of the new build programme and timings of availability to let.
86. The current volatility in costs, and uncertainty as to how these variables are likely to develop, make any predictions very difficult and these estimates are likely to change over the coming months. An up-to-date assessment of these variables will be included in the detailed budget to be developed and presented to Cabinet for approval in February 2024.
87. Rent uplifts lower than assumed in previous budgets and business plans have the potential to impact on the level and quality of service provision to tenants and on the capital schemes that can be taken forward, due to considerations of affordability, prudence and the sustainability of additional borrowing requirements.

88. It will be necessary for the directorate to review and prioritise revenue operating costs to identify the required savings and to support ongoing financial resilience. In addition, a review and reprioritisation of the HRA Capital Programme will be required with, where feasible, a realignment of future spend plans to ensure that capital spend commitments entered into remain affordable in the short and longer term.
89. The report proposes a range of uplifts to service charges as set out at paragraphs 74 to 78 above and at Appendix 3. Whilst some charges are proposed to be increased in line with the September CPI of 6.7% others are proposed to be uplifted at a level to fully recover costs. It will be essential to monitor any outcomes of these uplifts, not least the impact on tenants of the proposed increases to rent and service charges and their ability to pay in the current economic climate and cost of living crisis.
90. The HRA Budget 2024/25 and MTFP will be developed in the coming weeks and will be presented for approval by Cabinet as part of the Council budget setting process in February 2024. Decisions on the setting of rents and service charges for 2024/25 will be a key factor in determining the future resources available to the HRA and the requirement for efficiencies and reprioritisation of service delivery plans.
91. It should be noted that there are significant capital expenditure commitments for the HRA both incurred and proposed for the future, with a resultant increased borrowing requirement in order to invest in homes and create new assets. The HRA Capital Programme will be reviewed in the coming weeks in line with the 30-year HRA Business Plan. The latter will be reported to Cabinet for approval in March 2024.
92. Paragraphs 29 to 33 set out the approach to identification of potential efficiencies in service delivery. These along with the impact of decisions with regard to the timing of planned spend within the capital programme and borrowing levels as a result will need to be considered in detail as part of the detailed budget and business plan work.
93. The report highlights a number of pressures on the HRA as a result of increased demand for housing services and tenant support along with new build ambitions and other initiatives and strategies. This includes the Wales Housing Quality Standard 2023 which includes new requirements around decarbonisation and energy efficiency of homes. There is a significant risk to the affordability of these strategies and continuation of service delivery which highlights the need to seek all sources of available additional funding to mitigate where possible any impact on the HRA.
94. Paragraphs 38 - 41 of the report refer to the new build programme and the requirement that funds are available within the HRA to fund this ambitious capital investment. Decision making in this regard should be subject to undertaking best practice viability assessments and ensuring future mitigations are in place which do not place the HRA at financial resilience risk. This is particularly crucial given the number of variables that are not controllable and that could impact on the financial viability, including rent levels, interest rates and inflation, including within the construction industry.

95. There are a number of significant risks to the financial resilience of the HRA which will need to be monitored and managed closely. This will be reported in further detail and set out within the proposed HRA Budget 2024/25 and the HRA Business Plan. Any decisions to manage the position in the short term through the use of earmarked reserves and balances must be taken in the knowledge that such reserves are one off, finite and will not meet any ongoing funding gap in the longer term.
96. In addition, as part of the HRA budget and business plan processes, it will be essential to revisit assumptions with regard to the viability of the HRA and the sufficiency of reserves to meet future commitments of the MTFP and capital investment programme. This will be developed in the coming weeks as part of the HRA detailed budget process and business plan development and will be dependent on the robustness and adequacy of detailed service information provided in support of these plans.

Legal Implications

97. 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. standing orders and financial regulations; (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.
98. Section 104 of the Renting Homes (Wales) Act 2016 allows the landlord to vary the rent payable under a secure contract by giving the contract-holder a notice setting out a new rent to take effect on the date specified in the notice. The notice may not be less than two months. Subsequent rent variation notices must specify a date which is not less than one year after the last date on which a new rent took effect.
99. The Council has to satisfy its public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are:
 - Age
 - Gender reassignment
 - Sex
 - Race – including ethnic or national origin, colour or nationality
 - Disability
 - Pregnancy and maternity
 - Marriage and civil partnership
 - Sexual orientation
 - Religion or belief – including lack of belief.

100. As such a decision to implement the proposal has to be made in the context of the Council's equality act public sector duties.

101. The report identifies that an Equality Impact Assessment has been carried out and is appended at Appendix 4. The purpose of the Equality Impact Assessment is to ensure that the Council has understood the potential impacts of the proposal in terms of equality so that it can ensure that it is making proportionate and rational decisions having due regard to its public sector equality duty. The decision maker must have due regard to the Equality Impact Assessment in making its decision.

HR Implications

102. There are no direct HR implications arising from this report.

Property Implications

103. There are no specific further property implications in respect of the Council Housing Rent & Service Charge Setting 2024/25 report. Where there are any associated property acquisitions or related valuations required to deliver any proposals, they should be done so in accordance with the Council's Asset Management process and in consultation with Strategic Estates and relevant service areas.

RECOMMENDATION

Cabinet is recommended to approve the proposed approach for rent and service charge setting for Council owned dwellings for financial year 2024/25.

SENIOR RESPONSIBLE OFFICER	Jane Thomas Director Adults Housing and Communities
	8 December 2023

The following appendices are attached:

- Appendix 1 - Tenant Consultation Report
- Appendix 2 - Affordable Rents Report
- Appendix 3 - Proposed Service Charges 2024/25
- Appendix 4 - Single Impact Assessment