



CABINET - 9TH FEBRUARY 2022

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2022/2023

REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES AND HOUSING

1. PURPOSE OF REPORT

For Members to consider and make a decision on the increased Council Housing rent charges proposed in this report. The charges predominantly focus on council house rents, but also include garages, and are intended to be effective for the Housing Revenue Account (HRA) for the 2022/2023 financial year. Comments made by the Housing & Regeneration Scrutiny Committee are included in this report.

2. SUMMARY

- 2.1 Members will be aware that the preparation of the Housing Revenue Account (HRA) budget is quite separate to the work involved in setting the General Fund Budget and Council Tax. The HRA is funded by rental income received from council tenants, rather than the Council Taxpayer. Whilst there is a clear separation of these funds, most of the proportion of council tenants rent is funded from financial support in the form of Housing Benefit or Universal Credit, which is derived from the taxpayers' purse, therefore value for money must always be sought. 75% of our tenants receive financial assistance towards their rent. We charge our council tenants rent over a 48-week basis, but the Welsh Government (WG) base their rents on a 52-week basis, so this report shows the 52-week equivalent.
- 2.2 The Affordable Housing Supply Review was published in April 2019. The purpose of the review was to examine current arrangements supporting the development of affordable housing, and to make recommendations for changes designed to increase supply and improve delivery from the resources available. One of the tasks included making a recommendation on how a sustainable rent policy can help determine long term affordability for tenants and the viability of existing and new housing developments.
- 2.3 The key recommendations from this review in correlation to the rent policy was
 1. *The Welsh Government should implement a five-year rent policy from 2020-21. This has been based on CPI plus 1% plus an additional £2.*
 2. *There should be a focus on landlords considering Value for Money alongside affordability. An explicit annual assessment on cost efficiencies should be part of the rationale for justifying any rent increase*
- 2.4 In reaction to this review, The Minister for Housing and Local Government has stated "*There must be a clear balance between the interest of landlords and residents. Affordability for tenants must take into account the whole cost of living in a property and Landlords are expected to consider these costs when setting rents each year. Affordability is an issue I take very seriously, and I am mindful of not placing excessive financial burdens upon tenants*".
- 2.5 Having considered the review, along with wider factors such as the pressures arising from growing levels of homelessness, the need to decarbonise our existing stock, to maintain the

Welsh Housing Quality Standard and to build new high-quality homes that are near zero carbon, The Minister on the 29/12/21 confirmed the following for the 2022/23 Rent Policy: -

1. An annual uplift of up to **CPI only** for this year using the level of CPI from the previous September each year. The decision has been taken to remove the “plus 1%” option which is prescribed in the rent policy as follows, “should CPI fall outside the range of 0% to 3%, the responsibility will rest with the Welsh Ministers to determine the appropriate uplift to be applied for that year only”
2. CPI will be the maximum increase allowable in this year, but this must not be regarded as an automatic uplift. Landlords’ decisions on rent should take into account the affordability of rents for tenants.
3. The level of rents for individual tenants can be reduced or frozen, or can rise by up to an additional £2 over and above CPI, on condition that the total rental income collectable across the whole stock increases by no more than CPI
4. As an intrinsic part of the 5-year policy, landlords will be expected to set a rent and service charge policy which ensures that social housing remains affordable for current and future tenants. As part of their annual decision, they should assess cost efficiencies, value for money and affordability for tenants.

2.6 In light of the pandemic, the lack of data collection whilst government resources have been re-prioritised, has meant no robust data available to generate the Target Rent Bands for the year ahead, and The Minister therefore suspended the role of Target Rent Bands when confirming the 2021/2022 rent policy. For the 2022/23 Rent Policy the suspension has been continued. Members will recall that the original policy set a Target Rent Band for each Authority which allows Authorities flexibility to increase the rent to ensure the level is within the Target Rent Band envelope. Conversely, if the average weekly rent is above the Target Rent Band, average rents will increase at a lower rate, to bring the rent back within the Target Rent Band envelope.

2.7 The Minister is also keen to continue with a number of new initiatives as part of the wider rental agreement which include:

- Strengthen approaches designed to minimise all evictions, working effectively with partners to deliver on a new agreement not to evict into homelessness.
- Undertake a standardised tenant satisfaction survey for publication on a central website to assist tenants in scrutinising and comparing landlord performance. This is the STAR (Survey of Tenants and Residents) survey. The next submission date based on the revised core questions is 28 February 2022 for publication in April 2022.
- Build on existing commitments to deliver high quality homes which comply with the new housing quality standard “WDQR 2021” across all tenures on sites which attract Welsh Government funding
- Continue to work towards an aspiration that all new build housing, regardless of tenure, achieves energy efficiency standards of no less than EPC A on sites that attract any Welsh Government funding.
- All Social landlords are required to make, and evidence, an annual assessment of affordability for tenants, cost efficiencies and to demonstrate their homes and services represent value for money as part of their decision on the rent uplift to be applied each year. To assist with providing Welsh Government with the necessary assurance, each social landlord will be required to complete a self-certification monitoring form which will

be used to monitor compliance with the Welsh Government Rent Standard. This form must be completed and returned by the end of February 2022.

- 2.8 The previous September's CPI inflation figure was 3.1%. The policy therefore allows a maximum of 3.1% increase on our total rental income. Landlords also have a discretion to apply a further £2 on top of the CPI but this is as a means of aligning rents over certain property types or areas. The overall increase cannot be more than CPI even by applying the discretionary £2.
- 2.9 The latest Business Plan submitted for 2021/22 assumed a rent increase of between 1.5% and 2.5% over the next 5 years, but this plan would not have assumed the unprecedented sharp increase in costs that is being experienced nationally in terms of materials and the fluctuating supply of resources. The plan allowed for a 2% increase in material costs, but the construction industry is being hit with staggering material price increases with no indication this will change over the next 6 to 12 months. Price increases are varying dramatically with sources confirming between 8% and 200% depending on product, which will heavily impact not only on maintaining the WHQS standard we have just achieved on our current properties, but also our ambitious new build agenda.
- 2.10 Members will recall there was limited time to consider a full affordability options appraisal for setting the rent for 2021/22, and due to the Covid-19 restrictions, officers could not progress to the extent desired, as resources were prioritised elsewhere. However, an affordability survey was sent to tenants and the responses received were considered when setting the 2021/22 rent last year.
- 2.11 In consideration for setting the 2022/23 rent, officers have developed this survey further which was targeted to tenants in October 2021. The survey was called "Your Rent, Your Views" with the aim of capturing tenants' views on their rent, particularly on affordability and value for money, which would assist in setting future rents. 373 tenants completed this survey
- 2.12 In addition to the affordability survey, as mentioned in 2.11 above, as a landlord, we are obliged to survey our tenants under a standard STAR survey, as mentioned in 2.7 above, which is a consistent framework for social landlords to collect, report and measure on tenant's satisfaction. The survey was sent out in September/October 2021. The survey consists of seven core questions and one of these key questions include a direct reference to value for money. 1847 tenants completed this survey.

3. RECOMMENDATIONS

- 3.1 Members of Cabinet are requested to consider and make a decision on the following recommendations:
- 3.2 Officers recommend to Cabinet a range of increases per property for consideration from April 2022 based on the options explained in the report, which are: -
- (i) 3.1% (CPI only) – (£94.63/52 week – additional £2.85/wk) the maximum allowed under the rent policy Resulting in additional income of some £1.6m.
 - (ii) 2.5% (£94.08/52 week – additional £2.29/wk). This would generate additional income of some £1.3m and would be some £500k higher than the rent assumed in last year's business plan, allowing a more comfortable margin for the unprecedented increase in material costs
 - (iii) 2% – (£93.62/52 week – additional £1.84/wk) which is additional income of £1m, allowing for a small margin to reflect the unprecedented increase in material costs.

- (iv) 1.5% - (93.16/52 week – additional £1.38/wk). This is as per the business plan for 2022/2023 only, generating additional income of some £762k, but does not reflect the unprecedented increase in material costs
- (v) 0% (No increase) – (£91.79/52 week) would reduce our income by £762k to that assumed within our business plan. Higher increases may need to be considered in the future to get back within the policy target rent band, on the assumption this is re-introduced and uplifted by inflation-
- (vi) The level or rent for garages from April 2022 be increased by 2% to £8.39 per week
- (vii) Recommend a review of the current rent policy to reflect affordability

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 Inflationary increases on providing all aspects of the housing service are experienced annually, however as the HRA cannot legitimately set a deficit budget, the loss of additional income will result in reduced resources being available to effectively manage and maintain the stock impacting on service delivery and could result in increased levels of borrowing, which is an additional cost to the HRA.
- 4.2 Housing Benefit/Universal Credit will cover the increased costs for the rent charge in this report for 75% of our tenants up to the Housing Benefit limitation rate (yet to be confirmed).
- 4.3 If charges are not increased annually it has a detrimental effect on subsequent years as higher increases are then needed to recover the shortfalls from previous years.
- 4.4 The Council's Business Plan relies on inflationary increases to remain viable and cover increasing costs associated with the delivery of the service.
- 4.5 Additional resource is necessary to be able to meet the demands from Welsh Government on maintaining the WHQS, the provision of new affordable housing, decarbonisation of the existing stock and increasing support for tenants in order to sustain tenancies and reduce homelessness.
- 4.6 The impact of Covid has significantly impacted on the HRA, in particular material costs, but with a considerable reduction in productivity, meaning that our budget has been delivering less. This has resulted in a backlog of work which will increase costs in 2022/23.

5. THE REPORT

5.1 Rent Increase

- 5.1.1 Members will recall that the rent policy under Welsh Government has changed over recent years and the Minister has reacted where necessary year on year. More recently however, the rent policy has been fixed for a five-year term. We are currently under the 2020/21 to 2024/25 five-year rent band which was set at CPI plus 1%. Under the current rent policy, a target rent band for each Authority was set by WG so there is still some degree of control retained by WG however, all of the rental income will be retained by the Authority and used to fund expenditure, service debt and create borrowing headroom to support the delivery of WHQS and future investment. However, during 2021/2022 the target rent band was suspended as a consequence of the Covid-19 pandemic. Furthermore the "plus 1%" has been removed for the 2022/23 financial year as a reaction to the ongoing pressures during the Covid-19 pandemic and Brexit, which has seen inflation rise higher than expected. The Welsh Ministers can determine the appropriate charge to the rent levels in that year if CPI falls outside of the range 0% and 3% and has therefore decided to remove the "plus 1%" from the

2022/23 rent policy.

5.1.2 As a result of the housing benefit limitation scheme, rent increases above Department of Work and Pension (DWP) rent limits do not produce extra income from the benefits system, as any shortfall would be required to be met by the tenant. This would therefore be an added financial burden to some of our most vulnerable tenants. At this stage however, as in previous years, details regarding the DWP limit under the current rent policy are yet to be confirmed, but all the recommendations contained within this report are compliant with the WG. Typically, the limit rent is increased by the rent policy, therefore it is assumed that the DWP rent limits will increase by 3.1%. Approximately 75% of tenants are in receipt of financial support in the form of Housing Benefit or Universal Credit.

5.1.3 The 2020/2021 policy target rent band for CCBC was

- Low end £90.41 per week
- Mid-point £95.17 per week
- High end £99.92 per week

The rent increase applied in 2020/21 of 2.7% meant that the average rent was £90.66 which was just within the low end of the target rent band.

5.1.4 However, the target rent band for 2021/2022 and 2022/23 has been suspended as a consequence of the Covid pandemic, so we are unable to measure the impact of any increased proposal. We can, however, evidence the impact that a lower than required increase can have when compared to the Housing Business Plan.

5.1.5 Initially, WG have stated that “*The rent policy allows you to apply the inflation plus £2 (per week) if you are aiming to move to a higher point within the Target Rent Band to meet your business plan commitments...*” This was removed for 2019/20 and was only applicable if Social Housing Landlords were below the rent envelope. This was subsequently changed under the 2020/21 policy, and the “plus £2” could only be applied on condition that the total rental income collected by the landlord is no more than CPI +1%. Furthermore, as part of the 2022/23 rent policy this means the overall income collectable cannot increase any more than CPI only for 2022/23. This provision is designed to enable social landlords to restructure rents where appropriate.

5.1.6 CCBC’s average rent based on a full rent debit as at week 37 is £91.79 (52-week basis) which when compared to the 2020/2021 target rent band (allowing for a 1.5% increase as per the 2021/22 rent policy) is at the low end of the band.

5.1.7 Applying the maximum of 3.1% increase means our average rent would be £94.63. Even with the suspension of the target rent band, this still places the rent within the low end of the previous two year’s banding, as per the table at 5.1.3.

5.1.8 The latest business plan submitted to WG in March 2021 included a rent increase of 1.5% for 2022/23 increasing to 2% for 2023/24 to 2025/26 with an increase to 2.5% from 2026/27 onwards. For 2022/23 this was on the assumption of applying CPI only and that CPI would be 1.5%. Applying CPI only (as opposed to CPI plus 1%) was considered a prudent approach at that time whilst in a pandemic environment where conditions were volatile. However, the unprecedented increases in materials could not be foreseen and these increases need to be reflected in the next business plan to be submitted to WG in March 2022.

5.1.9 To give members an idea of how changes in one area can affect the business plan, officers have modelled an example in respect of price increases for materials against the current business plan. If a 10% increase in materials is factored into the current plan whilst maintaining the 1.5% assumption for rent, this would result in an additional borrowing requirement of £4m.

- 5.1.10 If a 5% increase in materials is factored into the current plan whilst maintaining the 1.5% assumption for rent, this would result in an additional borrowing requirement of £1.9m
- 5.1.11 By applying the maximum 3.1% rent increase against the 10% & 5% scenario increase in costs for materials this would reduce the additional borrowing requirement to £2.1m or £200k respectively. The maximum rent increase would therefore offer more protection in terms of cost increases.
- 5.1.12 By applying a 2.5% rent increase against the 10% and 5% scenario increase in costs for materials this would reduce the additional borrowing requirement to £2.8m or £900k respectively.
- 5.1.13 By applying a 2% rent increase against the 10% and 5% scenario increase in costs for materials this would reduce the additional borrowing requirement to £3.3m or £1.4m respectively
- 5.1.14 By applying a 0% rent increase against the 10% and 5% scenario increase in costs for materials this would increase the additional borrowing requirement to £5.3m or £3.7m respectively.
- 5.1.15 Council agreed on the 26th February 2020 to a £75m borrowing level to complete the WHQS programme and progress with new build. This was estimated to be in the region of £45m for WHQS and £30m for new build. In the light of the pandemic, it was clear that progress of the WHQS programme was inhibited due to social distancing regulations, tenant refusals, and potential sickness of the workforce, contractors and/or tenants. Work progressed slowly and Welsh Government extended the deadline across the sector to December 2021. The additional costs associated with the pandemic restrictions resulted in an estimated total cost of £270m to achieve the WHQS Standard although due to the pandemic, spend was delayed whilst we were subject to lockdown restrictions, which meant funding could be carried over into the final year with a minimum impact on borrowing. Total borrowing for WHQS is therefore £40.9m. Borrowing for new build can therefore be confirmed at £34.1m within the current approval limit.
- 5.1.16 Furthermore, the pandemic resulted in additional costs to the HRA. In 2020/21 this was a net cost of £1.2m with no financial support from Welsh Government. In theory, therefore, this is a direct cost to tenants which is at a detriment to other services provided and deflects funding from our ambitious new build programme.
- 5.1.17 On its own, a rent increase of less than 1.5% for 2023/24 will mean less income to deliver housing services which could result in a review of the services and the way they are currently delivered, the extent of work to be undertaken, alternative options for increasing income or an increase in borrowing. However, we also need to factor in the increasing costs of materials which will impact on our Housing Repairs Operations, our Planned Programme for maintaining our current stock, and our New Build Programme.
- 5.1.18 Members must also consider the pressure Local Housing Authorities are facing from Welsh Government on increasing housing supply and ensuring we meet the decarbonisation agenda, both of which require significant investment. The report to The Housing and Regeneration Scrutiny Committee on the 26th November 2019 outlined the need for £14m additional borrowing to kick start the new build programme with the aim to deliver 400 affordable homes between 2020 and 2025. This directly links with the Council's commitment contained within the Corporate Plan 2018-2023 and Wellbeing Objective 3 which aims to address the supply, condition and sustainability of homes throughout the county borough.
- 5.1.19 A nil increase for 2022/23 would mean the rent would remain at £91.79 but this would require considerable future rent increases to get back into the target rent band envelope range if and when this is re-introduced. This would also result in reduced income of £1m annually to that assumed within our business plan, and this is without factoring in any further cost increases

as explained in the report Again, members must consider the ongoing effect of this reduced rent to address the significant investment required as explained above.

- 5.1.20 An increase of 2.5% means the average rent would be £94.08 over a 52-week period. This would generate additional income of some £1.3m which would be £500k more than the assumption within the current business plan but will allow for some growth to offset the unprecedented increase in material costs. This still places Caerphilly within the low end of its target rent band.
- 5.1.21 Generally, the DWP increases the Housing Benefit Subsidy Limit within similar lines to the rent policy guidance, meaning for the majority of our tenants, the maximum 3.1% increase would be covered.
- 5.1.22 Additional borrowing as a consequence of income shortfalls must be affordable under the Prudential Code. It also means an increase in debt and interest charges which takes resources away from the HRA to manage and maintain our housing stock and support our tenants.
- 5.1.23 In addition, affordability for tenants is now a factor that must be considered as part of setting any rent increases. This involves engaging with tenants to capture relevant data and views and establishing a suitable model that would evidence affordability together with a system for accurately recording such information. Unfortunately, due to restrictions from the pandemic, this was not progressed fully in 2020 although a tenants' affordability survey was sent out in November 2020 and repeated in 2021.
- 5.1.24 Since 2014/15 the average rent increase for Caerphilly Homes is 3.1%
- 5.1.25 With the exception of the previous year (2021/22) where CPI was at an unprecedented low level due to the economic impact from Covid-19,(resulting in a 1.5% rent increase), the average rent increase is 3.3% so the recommendations in this report would be lower than the average.

5.2 Affordability

- 5.2.1 Officers have continued to work on developing the affordability survey and have met colleagues in Welsh Government and other local authorities with the aim of sharing best practice. The feedback from Welsh Government on the previous year's rent setting process across the sector gave us more of an understanding as to what Welsh Government were expecting in order to evidence affordability. For example, landlords automatically received a favourable score if they used the Joseph Rowntree Foundation (JRF) Living Rent model or an equivalent affordability tool. Caerphilly Homes Officers had been considering the JRF model prior to the pandemic but did not have the resources to progress during 2020/21. The JRF model has now been considered as part of the 2022/23 rent setting process
- 5.2.2 Other areas of good practice included a wide range of tenant consultation platforms and appropriate feedback, working in collaboration with tenants to set rents. As an authority we have been limited to certain media platforms due to GDPR concerns, which has restricted our ability to reach all tenants. However, officers have developed a full consultation process including an online survey during October/November 2021, 3 focus groups, and a 'question of the week' poll for each week during November. The survey was posted on Facebook and Twitter and was also available on the Council's website. An EGov bulletin was sent to those tenants who have registered with the link. There were periodic reminders over the term of the survey and there was also a dedicated helpline for any tenants who required assistance in completing the survey.
- 5.2.3 Overall, there were 373 tenant responses to the survey with a mix of areas and tenures being represented. This was an increase of 133 compared to the previous year.

- 5.2.4 42% of the tenants were represented from the East of the Borough, 28% from the South and 28% from the North.
- 5.2.5 The majority of responses were from tenants in 3-bed houses, with the main source of income being from sickness or disability benefits, closely followed by full time employment.
- 5.2.6 65% of the respondents received some form of benefit support towards paying their rent. 35% of respondents received no support.
- 5.2.7 65% of responding tenants think our rents are fair and affordable and 35% do not. Mixed responses vary from “compared to the private sector it’s good value” “Better and more secure than private renting” “Fair price” to “It’s not affordable for one low-income person”, “Because Universal Credit don’t give you enough to live on with rent”, and “The rent is fair but I’m finding it hard to pay with the low income”.
- 5.2.8 54% agreed that Caerphilly Homes should consider the average household income when setting rent and 83% thought Caerphilly Homes should take into account the costs of running a home when setting rent.
- 5.2.9 61% of tenants thought that their rent provides value for money. Comments included: “The homes are modern and well looked after”, “It is a warm home, fair rent costs and we feel safe here” “I think your repair and servicing team are very efficient and very easy to contact”, “You don’t do enough to maintain the property” “Delays in repairs and neglect of environment”, and “Repairs never completed or charged for mistakes”
- 5.2.10 Any tenant who expressed difficulties with paying their rent within the survey comments, was contacted and offered support by Tenancy Support Team.
- 5.2.11 The survey overall gave us a mixed response, and there are clearly some responses that need to be followed up, but it does suggest a higher proportion of our tenants agree that their rent is affordable and offers value for money.
- 5.2.12 In addition to the survey, we are able to measure certain indicators against an All-Wales Average to ascertain, from a statistical point of view, if rents appear affordable within the Caerphilly County Borough. Due to the lack of resources explained in 2.6 above, WG have not yet published 2020/21 data, so we have used the previous year as a comparator.
- 5.2.13 The average social rent for Caerphilly CBC in 2019/20 is £88.27/wk, which is nearly 4% lower than the All-Wales Average for Local Authorities of £91.65/wk. The All-Wales Average for Registered Social Landlords is £92.50/wk. Caerphilly CBC is ranked the 3rd lowest Local Authority in terms of its weekly rent.
- 5.2.14 Private rents in Caerphilly CBC for 2019/20 average £105.80/wk, some 6.4% lower than the All-Wales Average at £113.00/wk.
- 5.2.15 Caerphilly CBC ranked 5th highest out of the 22 Local Authorities in terms of workplace earnings at £384.47, which is some 3.5% higher than the All-Wales Average of £371.63/wk.
- 5.2.16 The results of the 2021 STAR survey to tenants, on their satisfaction with the housing service, confirmed 77% were satisfied overall with the service provided by Caerphilly Homes, and 76% were satisfied that their rent provides value for money
- 5.2.17 These statistics together with the tenant’s affordability survey suggest that the rent is affordable and provides value for money. However Welsh Government require us to prove this in terms of measuring our current rent against an appropriate affordability model.
- 5.2.18 To expand on the affordability measure that WG require us to evidence, and to prove our rents are affordable, 54% of our surveyed tenants thought we should consider income when

setting the rent. Using the JRF living rent model means a link is established between rents and tenants' ability to afford them. The affordability criteria are designed on the principle that a single person should not pay more than 28% of their net pay on rent for a standard single person unit of accommodation. This is then weighted for equivalence values to reflect the different property types within our portfolio and typical family compositions, using a tool developed by the Organisation for Economic Co-operations and Development (OECD)

- 5.2.19 This principle requires the use of average income data. The Office of National Statistics (ONS) releases an Annual Survey of Hours and Earnings (ASHE) every October which provides an estimate of income levels from those in the lowest 25% of earnings, across the UK, broken down into Middle Super Output Areas (MSOA). There are 24 MSOA's for Caerphilly Borough.
- 5.2.20 If an existing tenant's rent is lower than the affordable Living Rent assessment, rent should be increased each year by the agreed percentage uplift plus a maximum of £2 per week allowed under the current rent policy.
- 5.2.21 If an existing tenant's rent is higher than the affordable Living Rent assessment, rent can either be frozen or decreased each year by a maximum of £2 per week until the rent has aligned with the affordable living rent assessment.
- 5.2.22 Any new tenants would be let at the current living rent model.
- 5.2.23 The methodology described above is clearly different to our current local rent policy, where uplifts are applied consistently to all tenants irrespective of location or earnings. However, in order to comply with the requirements of Welsh Governments social rent policy and affordability principles below, we must ensure we can evidence that the rent we set for tenants is fair, transparent, affordable, and sustainable.
- 5.2.24 The principles expected from Welsh Government when setting rent are: -
- **Affordable:** We will consider the total costs of renting homes and incomes to understand what is affordable for our residents, and ensure that residents have the greatest opportunity to sustain their tenancies and thrive,
 - **Sustainable:** We will set rents that allow us to continue to provide high quality, safe, warm homes for the people who need them in the communities we serve
 - **Engage:** We will involve residents to develop and review our approach to rent setting, and inform our decisions on rents
 - **Fair:** We will work to ensure that rents and other charges are set fairly, and our homes and services represent value for money
 - **Accountable:** We will be open, transparent and accountable when we make decisions on rents.
- 5.2.25 In order to meet these requirements Caerphilly Homes needs to review its current rent policy.
- 5.2.26 Early indications on exploring the JRF model suggest that Caerphilly Homes rent levels compare favourably, which gives initial assurance that our rent levels are broadly affordable. Officers will be carrying out further work on the model in the New Year.
- 5.2.27 Officers are requesting that the current rent policy be reviewed in the Spring of 2022 to consider incorporating the JRF affordability model when setting future rents.

5.3 Tenancy Support

- 5.3.1 Caerphilly Homes Rents team offers person centred support to its tenants. A team of tenancy and welfare benefit support staff are available to provide support as soon as a tenancy starts. Staff have the discretion and flexibility to deal with differing individual circumstances when tenants are in difficulty and are empowered to deliver innovative solutions. The number of tenants claiming housing benefit or universal credit housing costs to help pay their rent has increased from 72% to 75% between December 2020 and December 2021. Since April 21 our staff have assisted tenants to claim over £2.3m in additional benefits. This support is not only offered to tenants experiencing financial hardship, but to tenants who we recognise using key data sets are not claiming their full entitlement of benefits.
- 5.3.2 Surveys completed by tenants receiving the service have shown the huge difference it has meant to their lives. Quotes below have been extracted directly from the surveys:

“Thank you for everything you have done for me it has made a huge difference. I fell into heaven when I came to this wonderful council”, “Been told so many times that I wasn’t able to claim (including by DWP) but the Council staff helped me to claim successfully. This has changed my life massively”, “Given me a different perspective of people from the council, reassured me that if there was anything else to get it touch. Built up trust, so great that I know where to call if I need help” and, “I didn’t expect to get a backdate I am so happy I am going to use the money to buy a mobility scooter something I never ever thought I could afford to buy. I can’t thank you enough”

This support is integral to the Rents Team and will continue to be offered to all tenants

5.4 Garage Charges

- 5.4.1 The garage rationalisation and refurbishment programme, linked to the WHQS programme has led to a reduction in our garage stock but has resulted in improvements to our remaining stock. This work had a significant impact on void levels as the blocks of garages had to be fully vacated prior to commencement of works on each site. On completion of works to each block, former garage tenants and former leaseholders of garage plots have been offered new tenancies of the newly built or refurbished garages, prior to new tenants being sought for the remainder from existing waiting lists or through marketing. In addition, a number of garages have been demolished due to unsuitability and lack of demand. However, due to Covid-19 the void position on garages has not yet improved due to resources being deployed in more critical areas. Currently 30% of our garage stock remains void.
- 5.4.2 The rent on garages had not been increased for 3 years while the rationalisation programme was being undertaken but an increase was re-introduced in 2020/21 at 1.5%. Total investment to our garage stock was £2.6m and we can collect £380k per annum in charges if all garages are let. Currently our garage charge is £8.23 per week and 79% of garage tenants are not council tenants. The 2021/22 business plan assumed a 2% increase for the 2022/23 financial year. For the 21% who are council tenants this would equate to £8.39 per week and for the 79% non-council tenants this would equate to £10.07 to include VAT.

Tenants in receipt of benefit

- 5.4.3 Garage rents are not eligible for housing benefit and the majority (79%) of garage tenants are not actually council house tenants.

Financial impact

- 5.4.4 The Business Plan has included a 2% increase on garage rental income. Not increasing the income will mean a loss of approximately £5k. Although this does not appear significant, there has also been a compounding loss of approx. £30k from the previous 3 years where increases were not applied.

6. ASSUMPTIONS

- 6.1 Assumptions are prevalent within the Housing Business Plan and are necessary to create a 30-year projection as requested by Welsh Government. Assumptions are included on key drivers such as (i) Interest rates (ii) Inflation (iii) Rental Increases (iv) Staffing levels (v) stock movement (vi) capital programme expenditure (vi) level of rent arrears, and (vii) level of voids and are taken from projections, local knowledge and Welsh Government guidance.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 Section 24 of the Housing Act 1985 provides Local Housing Authorities (LHA's) with the power to set rents for its properties relating to Part II of said Act. A LHA is under a duty to act reasonably by determining rent levels. When setting rents under this section, a LHA must comply with any standards relating to rent set by the Welsh Ministers under section 111 of the Housing (Wales) Act 2014 and must also have regard to guidance issue under section 112 of the 2014 Act. Section 74 of the Local Government and Housing Act 1989 requires a LHA to keep and maintain a HRA ring-fenced account which ensures that the income raised from operating council housing is spent on council housing, and that neither the HRA nor General Fund are cross subsidised. Section 76 of the Local Government and Housing Act 1989 requires that the HRA cannot be set into a deficit.]

An increase in rents is required in order not to set a deficit budget within the HRA. The additional income is utilised on maintaining or improving existing services as well as creating financial resource to be able to meet WG agendas and challenges such as minimising evictions, not to evict into homelessness, deliver high quality homes, evidencing affordability and value for money, maintaining WHQS, installing Optimised Retrofit Programmes on existing stock, and enhancing tenant involvement.

65% of tenants who were surveyed on "Your rent your view" survey confirmed that their rents were deemed fair and affordable and 61% thought their rents provided value for money. 76% of tenants who were surveyed on the STAR survey also thought their rents provided value for money and 77% were satisfied with the services provided. As part of the rent setting process, tenants were also involved in focus groups and question of the week polls.

The latest statistics for the All-Wales averages (2019/20) ranks Caerphilly 3rd lowest in terms of Local Authority rent and 5th highest in terms of workplace earnings. 75% of Caerphilly CBC tenants are in receipt of financial support for their rent in the form of Housing Benefit or Universal Credit. Tenancy support is offered to all tenants.

The proposed increase is the lowest increase for a number of years with the exception of 2021/22 where CPI was an unprecedented low value due to Covid-19

[Full Integrated Impact Assessment](#)

8. FINANCIAL IMPLICATIONS

- 8.1 This report deals with the financial implications of the proposed rent increases which affect the HRA.
- 8.2 The impact of the Welfare Reform Act is not taken into consideration

9. PERSONNEL IMPLICATIONS

- 9.1 The proposals contained in this report will not alter the current arrangements for the collection of housing revenue account monies.

10. CONSULTATIONS

- 10.1 All consultation responses have been reflected in this report. This report came before the Housing & Regeneration Scrutiny Committee on February 1st, 2022.
One Member asked about the impact of high levels of inflation on material costs. The Head of Housing advised on how cost efficiencies were explored, how managed procurement contracts with fixed prices provided some protection and also outlined some of the benchmarking work that took place with partners. The Member asked about any cost benefits from future plans for the construction of Council housing. The Head of Housing outlined economies of scale associated with modern construction methods and advised that cost efficiencies were constantly sought with partners.
One Member asked for an update on apprenticeships in light of high labour costs. The Head of Housing advised that in terms of the technical side the number of apprentices was currently in the teens. Members also heard how new ways of training for Caerphilly Homes would be explored in the future.
- 10.2 Following consideration of the report, it was moved and seconded that option (iii) in section 3.2 be recommended to Cabinet for consideration. By way of a roll call vote and in noting that there were 8 votes FOR, 1 vote AGAINST and 0 ABSTENTIONS this was agreed.
RECOMMENDED to Cabinet that they approve 3.2 (iii) 2% – (£93.62/52 week – additional £1.84/wk) which is additional income of £1m, allowing for a small margin to reflect the unprecedented increase in material costs.
- 10.3 It was also moved and seconded that (vi) in section 3.2 be recommended to Cabinet for consideration. By way of a roll call vote and in noting that there were 9 votes FOR, 0 votes AGAINST and 0 ABSTENTIONS this was unanimously agreed.
RECOMMENDED to Cabinet that they approve 3.2 (vi) - The level or rent for garages from April 2022 be increased by 2% to £8.39 per week.
- 10.4 It was further moved and seconded that (vii) in section 3.2 be recommended to Cabinet for consideration. By way of a roll call vote and in noting that there were 9 votes FOR, 0 votes AGAINST and 0 ABSTENTIONS this was unanimously agreed.
RECOMMENDED to Cabinet that they approve 3.2 (vii) - Recommend a review of the current rent policy to reflect affordability.

11. STATUTORY POWER

- 11.1 Local Government Acts 1972. This is a Cabinet function.

Author: Lesley Allen, Principal Group Accountant, Housing
allenl@caerphilly.gov.uk Tel: 01443 864470

Consultees:	<p>Cllr J Ridgewell Cllr M Adams Cllr Shayne Cook Dave Street Nick Taylor-Williams Robert Tranter Stephen R Harris Sandra Isaacs Amanda Main Fiona Wilkins Jane Roberts-Waite Alan Edmunds Jason Fellows Kerry Denman</p>	<p>- Chair Housing & Regeneration Scrutiny Committee - Vice Chair Housing & Regeneration Scrutiny Committee - Cabinet Member for Social Care & Housing - Corporate Director Social Services & Housing - Head of Housing - Head of Legal Services/Monitoring Officer - Head of Corporate Finance & S151 Officer - Rents Manager - Acting Benefits Manager - Housing Services Manager - Strategy & Co-ordination Manager - WHQS Project Manager - HRO Manager - Housing Solutions Manager</p>
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Mandy Betts

- Tenants & Community Involvement Manager

Background Papers: N/A