



Report of the Cabinet Member for Service Transformation

Council –25 January 2024

Housing Revenue Account (HRA) Rent Setting 2024/25

| | |
|------------------------------------|--|
| Purpose: | This report proposes an increase in rents and fees and charges for properties within the HRA for 2024/25 |
| Policy Framework: | None. |
| Consultation: | Access to Services, Finance, & Legal |
| Recommendation(s): | It is recommended that the proposed increases in Council housing rents and fees and charges be recommended to Council for approval: 1) Rents to be increased in line with the Welsh Government policy as detailed in section 3.1. 2) Fees, charges and allowances are approved as outlined in section 3.2. |
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1.0 Introduction

- 1.1 This report seeks approval for the changes to Council housing rents and fees and charges to be applied from 1st April 2024.
- 1.2 The introduction of the Renting Homes (Wales) Act 2016, means that additional notice is required of any proposed increase. Section 104 of the Act states;

- (1) The landlord may 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.
- (2) The period between the day on which the notice is given to the contract-holder and the specified date may not be less than **two months**.

2. Background

- 2.1 The current Welsh Government Rents Policy sets a maximum annual increase of CPI plus 1% based on the CPI figure for the preceding September. If CPI increases above 3%, the Minister has the option to set a different maximum increase. For the 2024/25 increase, CPI was of 6.7%. Following consultation with social housing providers and contract holder groups the Minister set a maximum average increase of 6.7%.
- 2.2 Before approving the increase the Minister sought the following commitments from social landlords in Wales to support tenants, experiencing severe financial hardship as a result of the cost-of-living crisis;
 - There will be no evictions due to financial hardship for the term of the rent settlement in 2024-25, where tenants engage with their landlords.
 - During this time social landlords will continue to provide targeted support to those experiencing financial hardship to access support available.
 - In addition, 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.
 - 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.
 - Invest in existing homes to keep them safe, warm and affordable to live in.
 - Social landlords use the rent they receive to provide support to some of the most vulnerable people in our communities, providing them with housing and crucial support services and ensuring a new supply of social homes for the future.
- 2.3 The Housing Revenue Account is ring fenced with the income from rents used to fund the management of council housing together with the maintenance and improvement of the council housing stock. In recent years, inflation has meant significant increases in costs. The table below shows the increase in revenue budgets for Housing management and responsive maintenance since 2021/22;

| | 21/22 Budget £m | 23/24 Budget £m | Increase £m | % Increase |
|--------------------|--------------------------------|--------------------------------|------------------------|-------------------|
| Housing Management | 16.4 | 19.66 | 3.26 | 19.88% |
| Revenue Repairs | 13.86 | 19.86 | 6.05 | 43.68% |
| Total | 30.25 | 39.56 | 9.31 | 30.78% |

- 2.4 Over the same period, revenue income has not increased to the same degree. Whilst previous rent increases have been in line with the Welsh Government's Rent Policy, these have been lower than inflation.

| | 21/22 Budget £m | 23/24 Budget £m | Increase £m | % Increase |
|----------------|--------------------------------|--------------------------------|------------------------|-------------------|
| Revenue Income | 69.7 | 75.1 | 6.9 | 10.12% |

- 2.5 The differences between increases in expenditure and income are compounded over the lifetime of the HRA Business Plan. The impact of this is that the revenue surpluses used to fund capital investment are significantly lower than previously forecast and the impact of inflation the HRA has seen over a short space of time mean there are now significant and rising pressures on the HRA Business Plan.
- 2.6 In addition, the introduction of the Welsh Housing Quality Standard 2023 has introduced additional statutory requirements which will require significant extra investment in the housing stock, without significant amounts of external subsidy being made available to the HRA. At the same time, the acute pressure on homelessness services and demand for housing means there is a need to increase the supply of affordable housing.
- 2.7 An important part of the Welsh Government's Rents Policy is that all social landlords will be expected to ensure that rents and service charges remain affordable for current and future contract holders. Whilst the majority of contract holders are in receipt of Housing Benefit or Universal Credit and will see these benefits will be increased to cover the proposed rent increase, there are also a number contract holders who are not in receipt of benefits and will have to pay the full increase. There is an obvious and growing conflict therefore between rising cost/improvement requirements to properties and the amount of income the HRA can generate.

3.0 Proposed Rent and Fees and Charges Increase

- 3.1 As stated in 2.1 above the maximum increase allowed under the Welsh Government's Rents Policy for 2024/25 is 6.7%. A decision to move to an increase lower than the maximum, reduces the income available to the HRA for future investment, increases the pressure on the HRA Business Plan and the requirement for future decision on prioritising investments including increasing the supply of new homes and improving/ maintaining the existing stock. This needs to be considered alongside the impact on the affordability of any increase for Contract Holders particularly those who are not in receipt of benefits and would have to fund the full increase.
- 3.2 Rents will increase by 6.0%, an average increase of £6.56 a week, from 1st April 2024. The proposed increase balances the need for extra income to fund the additional investment required with the need to maintain affordability for contract holders.
- 3.3 *Fees, Charges and Allowances*
General fees, charges and allowances are to be increased in line with the agreed rent increase of 6.0%.

4.0 Affordability Analysis

- 4.1 An affordability analysis has been undertaken. This analysis compared Swansea rents with other local housing providers including the private sector and with other social landlords across Wales. It also looked at the proportion of household income used to pay rent. The details of the analysis are set out in Appendix 1. The main findings are;
- Compared to other local housing providers Swansea Council rents are lower than Private Sector rents for all the property types shown. They are also lowest when compared to local Housing Associations for all property types except for bedsits where Coastal Housing are lower and 1 bed flats where Family Housing are lower.
 - Based on the latest published Welsh Government data, Our current average weekly rent compares favourably with other Welsh social landlords ranking 27th highest out of 50.
 - The ONS considers an affordable rent to be one where it is no more than 30% of the income. The tables shown in Appendix 1 show that the proposed rents for 2024/25 does not exceed the ONS limit as a proportion of household income.
- 4.2 The latest tenants survey carried out in October 2021 found that 64.8% of tenants were either very satisfied or satisfied that their rent provided value for money. 24.4% were neither satisfied or dissatisfied and 10.9% were either dissatisfied or very dissatisfied.

5. Integrated Assessment Implications

5.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

5.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

5.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

5.4 An IIA screening form has been completed and reviewed. The agreed outcomes recognize that there will be some impacts however arrears prevention is a key priority for the Housing Service and a number of measures are in place to support tenants who may be facing financial difficulty. These include;

- Ensuring sustaining tenancies and supporting tenants is at the core of our business.
- Developing our approach to early welfare benefits, financial inclusion and income maximisation advice and support.
- Focusing on proactive early interventions to increase engagement at a much earlier stage.
- Identifying and working with sub-groups of tenants and vulnerable tenants most at risk of eviction.
- Exploring trauma and psychologically informed approaches to Housing Management.

- Exploring further Managed Moves.
- Ensuring that eviction is an action of last resort where all other methods have failed and that if an eviction does take place provision is made available to ensure that it does not result in homelessness support in place etc.

Proposals for changing levels of funding in specific areas have been subject to a screening process.

6. Financial Implications

- 6.1 The additional income raised from the proposed increase will be reflected in the revised HRA Revenue and Capital budgets which will be reported to Council in March 2024.

7. Legal Implications

- 7.1 Contract-holders will need to be notified of the proposed increase in accordance with the provisions of section 104 of the Renting Homes (Wales) Act 2016. Section 104 states;

- (1) The landlord may 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.
- (2) The period between the day on which the notice is given to the contract-holder and the specified date may not be less than **two months**.

Background Papers: None

Appendices:

Appendix 1 – Affordability Analysis

Appendix 2 – Integrated Impact Assessment Screening Form

Rent Increase Affordability Analysis – Appendix 1

Our current rents were compared to the national average for Wales.

| Average National Rents for Welsh Councils & RSLs 2023/24 | | | | | | |
|--|----------------------------------|---|---|----------------------------|----------------------------|---|
| Accommodation Type | Welsh National Average (Council) | Swansea Council Equivalent (52 week rent) | Difference between Council national average and Swansea | Welsh National Average RSL | Swansea Council Equivalent | Difference between RSL national average and Swansea |
| Bedsit | £81.23 | £85.62 | £4.39 | 91.38 | £85.62 | -£5.76 |
| 1 Bed Flat | 90.54 | £95.73 | £5.19 | £88.65 | £95.73 | £7.08 |
| 2 Bed Flat | £98.07 | £100.79 | £2.72 | £98.63 | £100.79 | £2.16 |
| 3 Bed Flat | £105.55 | £105.81 | £0.26 | £114.80 | £105.81 | -£8.99 |
| 2 Bed House | £104.56 | £105.81 | £1.25 | £109.10 | £105.81 | -£3.29 |
| 3 Bed House | £114.80 | £110.88 | -£3.92 | £117.31 | £110.88 | -£6.43 |
| 4 Bed House | £126.10 | £115.93 | -£10.17 | £134.93 | £115.93 | -£19.00 |
| 5 Bed House | £136.66 | £121.00 | -£15.66 | £158.82 | £121.00 | -£37.82 |

It must be noted that the average figures provided by other Local Authorities and RSLs do not include their service charges. Our rents have the service charge already included. Service charges can range from £2pw-£10pw and are usually higher for flats than for houses. If this is considered, then it could be argued that our rents are currently lower than the Welsh national average over all property types.

The next table shows our current rents compared to the local RSLs.

| Accommodation Type | Swansea Council 52 Wk Rent | COASTAL HOUSING | FAMILY HOUSING | POBL |
|--------------------|----------------------------|-----------------|----------------|---------|
| Bedsit | £85.62 | £71.26 | £91.88 | £90.90 |
| 1 Bed Flat | £95.73 | £96.89 | £90.97 | £97.64 |
| 2 Bed Flat | £100.79 | £102.79 | £108.07 | £105.08 |
| 3 Bed Flat | £105.81 | £110.46 | £118.36 | n/a |
| 2 Bed House | £105.81 | £107.79 | £114.70 | £110.70 |
| 3 Bed House | £110.88 | £118.57 | £123.36 | £117.41 |
| 4 Bed House | £115.93 | £152.87 | £141.86 | £140.35 |
| 5 Bed House | £121.00 | N/A | N/A | N/A |

Again, the rents of the RSLs do not include the service charges. Our average rents for houses are lower than the local RSLs even without considering the service charge element.

To assess the impact of a 6%, we use the average income data for Swansea. This is the data gathered by the Office of National Statistics and is the Annual Survey of Hours and Earnings (ASHE). The figures shown are for single person households and single parent families earning minimum wage as this will show the lowest incomes to assess for affordability. The data was updated in November 2023. However, these are compared to future rents, and the wages will be increasing at the same time as the rent increase. The minimum wage will be increasing by 9.8%, so this increase has been applied to the ASHE figures for comparison.

| Household | Household weekly earnings based on November 2023 data | Household weekly earnings based on minimum wage for April 2024 with 9.8% increase applied. |
|----------------------|---|--|
| Single Person | £325.39 | £357.28 |
| Couple (no children) | £488.08 (1 P/T & 1 F/T) | £535.91 |
| Single Parent | £520.62 | £571.64 |

Single people or couples will normally be occupying flats, so the £357.28 and the £535.91 figure will be used to calculate the percentage of income spent on rent in this property type.

The ONS considers an affordable rent to be one where it is no more than 30% of the income.

| SINGLE PERSON | Weekly rent at 6% increase | %age of income based on minimum wage |
|----------------------|-----------------------------------|--------------------------------------|
| Accommodation Type | | |
| 1 BED BEDSIT | £90.75 | 25.4% |
| 1 BED FLAT | £101.47 | 28.4% |
| 2 BED FLAT | £106.84 | 29.9% |

| COUPLE (no children) | Weekly rent at 6% increase | %age of income based on minimum wage based on 1 working full time and 1 working part time |
|-----------------------------|-----------------------------------|---|
| Accommodation Type | | |
| 1 BED FLAT | £101.47 | 18.9% |
| 2 BED FLAT | £106.84 | 19.9% |
| 3 BED FLAT | £112.15 | 20.9% |

At 6% the percentage income spent on rent for a single person would be below 30% for flats. For couples, the percentage age for all sizes is below 30% of income.

The next tables will show the same calculations based on a single parent on minimum wage and receiving the equivalent working tax and child tax element of universal credit. The £571.64 weekly income has been applied which reflects the 9.8% increase in wages due in April 2024.

| SINGLE PARENT | | %age of income based on minimum wage and tax credits/UC top up |
|----------------------|-----------------------------------|--|
| Accommodation Type | Weekly rent at 6% increase | |
| 2 BED HOUSE | £112.15 | 19.6% |
| 3 BED HOUSE | £117.54 | 20.6% |
| 4 BED HOUSE | £122.88 | 21.5% |
| 5 BED HOUSE | £128.26 | 22.4% |
| 6 BED HOUSE | £133.60 | 23.4% |

At 6% the percentage income spent on rent for a single parent would be below 30%.

A comparison of the average rents in Swansea by property type and provider.

The following comparison shows our current rents compared to RSLs and the private sector.

Data obtained from StatsWales and Hometrack.

StatsWales is the site used to publicise the data submitted to Welsh Government by all Community Landlords.

Hometrack amalgamates the data from StatsWales and from Land Registry and from Estate Agents. The Hometrack data was last updated in December 2023.

The median rather than the average rent value has been used for the private sector rents as the average value tends to get skewed by high rents in some areas of Swansea.

Please note that Housing Associations add a service charge to the rental amounts shown in the tables. The service charge can range from £2 to £10 depending on property type, with flats usually incurring the highest service charge due to the communal living spaces.

| I Bed Flat | Weekly Rent | Ranking (most Expensive First) |
|------------------------|--------------------|---------------------------------------|
| Median Private Rent | £155.00 | 1 |
| Pobl | £97.64 | 2 |
| Coastal | £96.89 | 3 |
| Swansea Council | £95.73 | 4 |
| FHA | £90.97 | 5 |

| 2 Bed House | Weekly Rent | Ranking |
|------------------------|--------------------|----------------|
| Median Private Rent | £195.00 | 1 |
| Family Housing | £114.70 | 2 |
| Pobl | £110.70 | 3 |
| Coastal Housing | £107.79 | 4 |
| Swansea Council | £105.81 | 5 |

| 3 Bed House | Weekly Rent | Ranking |
|------------------------|--------------------|----------------|
| Median Private Rent | £213.00 | 1 |
| Family Housing | £123.36 | 2 |
| Coastal Housing | £118.57 | 3 |
| Pobl | £117.41 | 4 |
| Swansea Council | £110.88 | 5 |

| 4 Bed House | Weekly Rent | Ranking |
|------------------------|--------------------|----------------|
| Median Private Rent | £341.00 | 1 |
| Coastal Housing | £152.87 | 2 |
| Family Housing | £141.86 | 3 |
| Pobl | £140.35 | 4 |
| Swansea Council | £115.93 | 5 |