

Meeting of:	<b>Homes and Safe Communities Scrutiny Committee</b>
Date of Meeting:	<b>Wednesday, 12 February 2020</b>
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	Welsh Government Five Year National Rent Policy
Purpose of Report:	To notify Members of the introduction of the Welsh Government Rent Policy for Social Housing from 2020-21 to 2024-25.
Report Owner:	Miles Punter, Director of Environment and Housing
Responsible Officer:	Pam Toms, Operational Manager, Public Housing Services
Elected Member and Officer Consultation:	Operational Manager, Accountancy; Committee Reports Legal Services; Mike Ingram, Head of Housing.
Policy Framework:	This report is within the Policy Framework and Budget.
Executive Summary:	<ul style="list-style-type: none"> <li>The Minister for Housing and Local Government announced the new Welsh Government 'Rent Policy for Social Housing Rents from 2020-21 to 2024-25 in December 2019 which will determine the overall annual social house rent increases, including council homes, that can be applied for the next five years.</li> <li>The new Rent Policy has been introduced in with additional responsibilities and requirements placed on social landlords, which are outlined in this report. However, to date these have been communicated only in the Minister's initial announcement and a letter received in December 2019. It is therefore expected that further clarification on some of the requirements will be forthcoming at a later date.</li> <li>Under the new Policy the maximum rent increase that can be applied annually by a social landlord is CPI+1% using the level of CPI from the previous September each year. In September 2019 it was 1.7%. The Council current Housing Business plan is predicated on a 3% annual rent increase in line with the previous, redundant former Welsh Government Rent Policy. The Councils 30-year Housing Business Plan remains viable with a 2.7% increase.</li> </ul>

- Going forward, the Council will however be reviewing its current local rent policy and introduce a new policy from 2021 which also be compatible with the new Welsh Government Rent Policy.

## **Recommendation**

1. That Scrutiny Members note the details of Welsh Government five-year rent policy for social housing from 2020-21 to 2024-25 and the intention to review the Council's local rent policy to ensure compliance with it.

## **Reason for Recommendation**

1. For information and comment.

## **2. Background**

- 2.1 In accordance with the findings of the Welsh Government commissioned research undertaken by Heriot Watt University and the Independent Affordable Housing Review, the Welsh Minister for Housing and Local Government agreed to introduce a five-year rent policy for social housing in Wales, which would put the needs of tenants and affordability at the forefront.
- 2.2 The Independent Review also recommended that landlords should consider value for money alongside affordability and to make an unambiguous assessment on cost efficiencies as part of their rationale for justifying any rent increases.
- 2.3 The Ministerial announcement on the new five-year rent policy was made in December 2019 and made clear that the rent policy had been considered within the context of Welsh Government's broader housing policies, most importantly to address affordability along with the shortage of social housing, to build homes that are near zero carbon and to decarbonise existing housing stock whilst also address the growing levels of homelessness in Wales.
- 2.4 Following the announcement, the Minister wrote to all social housing providers in Wales, including the Council outlining the requirements placed on them when determining their annual rent increases from 2020-21 to 2024-25, which are as follows:
  - An annual rent uplift of up to Consumer Price Index (CPI) + 1%, each year for five years from 2020-21 to 2024-25 using the level of CPI from the previous September each year. (September 2019 was 1.7%);
  - CPI +1% will be the maximum increase allowable in any one year but CPI+1% must not be regarded as an automatic uplift to be applied by social landlords. Landlords decisions on rent should take into account the affordability of rents for tenants as set out below;
  - 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 +1%, on condition that total rental income collected by the social landlord increases by no more that CPI+1%. This

provision is designed to enable social landlords to restructure rents payable where necessary;

- Should CPI fall outside the range of 0% to 3%, the Minister with responsibility for housing will determine the appropriate change to rent levels to be applied for that year only;

- Social landlords should advise the Welsh Government where they have concerns about the impact that rent policy has upon their business plan or financial viability or on their ability to meet their obligations to tenants and lenders;

- As an intrinsic part of the five-year rent policy, social 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 on the level of rent uplift/reduction to be applied they should make an assessment of cost efficiencies, value for money and affordability for tenants which should be discussed at the Board/Cabinet/Council.

**2.5** The new rent policy will apply for five years from 6th April 2020 with rents due to be set for one financial year at a time from that point in line with these policy requirements.

**2.6** In line with the requirements of this new rent policy, and subject to Cabinet approval, an increase of 2.7% could be applied to all council homes from 1st April 2020 which would be below the notional rent increase in the current Council Housing Business Plan

**2.7** As previously mentioned, the Council, as with other social landlords in Wales, are awaiting further guidance in relation to the criterion to test value for money and affordability.

### **3. Key Issues for Consideration**

**3.1** In recognition of the greater stability and certainty provided by this revised rent policy, Welsh Government has been able to secure an agreement from representative bodies, including the Welsh Local Government Association (WLGA) on a series of new initiatives intended to deepen joint working. In addition to all of the areas where Welsh Government works with all social landlords, including the Council, it has been agreed that all social landlords will:

- Strengthen the landlords approaches to minimise all evictions and to deliver on a new agreement not to evict into homelessness;

- Undertake a standardised tenant satisfaction survey and provide the data for publication on a central website to assist tenants in scrutinising and comparing

landlord performance. First survey results to be available for publication by April 2021 and surveys to be carried out at least bi-annually thereafter;

- Build on the existing commitment to delivering high quality homes, with an aspiration that the Welsh Government Development Quality Requirements (DQR) space standards will apply across tenures on sites which attract Welsh Government funding on a phased basis from 2021. (However, for some Welsh Government subsidies e.g. Social Housing Grant - all requirements of the DQR must be met); and

- Work towards an aspiration that all new build housing, regardless of tenure, achieves energy performance certificate (EPC) of no less than A on sites which attract any Welsh Government funding from April 2021.

- 3.2** The Council, along with all social landlords in Wales will be required to prepare an annual assessment of affordability and to demonstrate that our homes and service represent value for money as part of our decision on the rent uplift to be applied each year. In addition, we will be required to justify any rent increases through a robust annual assessment on cost efficiencies.
- 3.3** Welsh Government also expect social landlords to undertake a comprehensive assessment each year which puts affordability for tenants at the core of the considerations and to complete a monitoring form once agreed with the representative bodies, including the WLGA which will monitor compliance with their Rent Policy.

#### **4. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 4.1** Looking to the long term - sufficient rental income from existing council homes is required to ensure the Housing Business Plan remains financially viable. It finances the maintenance and management of council properties, as well as supporting the development of more council homes to meet the ongoing housing needs of residents of the Vale of Glamorgan Council.
- 4.2** Taking an integrated approach - the Council will be undertaking an annual assessment of affordability and value for money exercise on an annual basis to ensure that rents remain affordable for our tenants. The Council is also committed to working with Welsh Government to implement the new five-year social rent policy whilst also maximising the delivery of new council housing in the County to contribute towards its target of an additional 20,000 affordable homes in this Assembly term.
- 4.3** Involving the population in decisions - this is essential for a balanced and informed service. Tenant consultation will be undertaken on rent levels and service quality to ensure that they continue to meet tenants needs.

- 4.4** Working in a collaborative way - The Council will continue its ongoing work with partners to try to achieve zero carbon in future developments and to reduce carbon levels in existing homes whilst increasing energy efficiency. This will improve affordability for tenants and be part of the comprehensive assessment carried out each year with tenants to comply with Welsh Government requirements.
- 4.5** Understanding the root causes of issues and preventing them - the Council is committed to ensuring that its rents are affordable for tenants and that service quality is monitored in order to sustain tenancies and communities and prevent homelessness.

## **5. Resources and Legal Considerations**

### **Financial**

- 5.1** There are potential financial implications for the Council Housing Business Account by limiting the amount of annual rent increases that can be applied to the council housing stock. However, there will be minimal impact in 2020-21 if the 2.7% uplift is approved by Cabinet. In addition, going forward as the Housing Revenue (HRA) borrowing cap has been removed there is currently sufficient capacity in the Business Plan to continue to deliver the ambitious council house building programme.

### **Employment**

- 5.2** None.

### **Legal (Including Equalities)**

- 5.3** The suggested council home rent increase of 2.7%, if approved by Cabinet will be consistently and equitably applied across all of the housing stock, irrespective of property type, size or ward.

## **6. Background Papers**

Letter from Julie James, Minister for Housing and Local Government dated 18th December 2019 titled 'Rent Policy for Social Housing Rents from 2020-2021'.