

Housing Rent Setting 2024/2025

Report to consider the annual Housing Rent Increase with a focus on: the impact on Households; the investment in housing stock; the delivery of new homes and service delivery.



1) Introduction

The Council housing service is funded by income from tenant's rents and is managed separately from other council finances.

This income goes into the Housing Revenue Account (HRA) and the costs required to deliver services to tenants and manage and maintain the housing stock is managed by a mix of revenue and capital expenditure.

When setting rent levels, Welsh Government requires social landlords to consider an "assessment of cost efficiencies across the operating cost base, value for money and affordability for tenants".

These factors are discussed in this report along with the considerations given to the balance between the level of increase we should apply and the level of investment required to invest in our stock and services.

We now know we have to achieve new higher standards to support affordable warmth; continue to deliver new homes to support the Council's response to the housing crisis and increased homelessness; and balance this with affordability and support for households in council owned homes.

2) Summary

- With the maximum increase allowed, our weekly rents remain within our affordability measures for those households with the lowest levels of earned income.
- Even with the maximum increase we are face significant budget pressures to be able to achieve the new Welsh Housing Quality Standard
- We can demonstrate the positive impact that investment in our stock has on our households through reduced bills.
- Any rent increase less than the maximum is less investment in our homes.
- Our tenants tell us we provide value for money
- Our tenants tell us the rents we set are fair
- We can demonstrate and show comparison that we use our money well
- Our tenants are satisfied with the services they receive

3) Background

Last year Cabinet suggested they would like different rent increase scenarios to consider, however the strong recommendation from the Housing service this year is that we increase the rent by the maximum allowed by the Minister. This is explained in this report.

A key point is that we have measured our rent levels using a nationally recognised affordability model, with the maximum increase allowed, and can confirm that they remain affordable for the lowest income earners in Denbighshire. [Impact on Household Affordability](#)

We have a number of risk & safety priorities in addition to other requirements we need to adhere to, such as a new Welsh Housing Quality Standard (WHQS 2) and delivering on priorities is now no longer a matter of choice. We are required to make difficult decisions in terms of investment in the council housing stock.

Why we are where we are?

Due to the disruption caused by the pandemic, followed by a period of high inflation, which has led to significant cost increases in the building & construction sector, we now face for the first time with backlogs in our improvement programmes compared to our previous level of standards. For example, we have 600 homes in need of replacement kitchens and bathrooms compared to what we would have previously expected to deliver.

In addition, the increased standards specified in WHQS 2 will require us to achieve an EPC energy rating of C75 for all our homes by 31st March 2029. There are further requirements to achieve an EPC energy rating of A and 'net zero' for our housing stock overall at a later date. This will require significantly increased levels of investment to what we have budgeted to date. It is vital to remember that this investment, while a significant cost to us as the Landlord, will immediately benefit our tenants who will be living in an excellent standard of accommodation with a renewed focus on affordable warmth. [Impact of our Investment](#)

The current situation with regards to cost increases (this is estimated to be 40% increase for the building and construction sector) and higher standards to adhere to, places the HRA under significant pressure. It is likely that compromises will have to be made around new build schemes and compliance with WHQS to enable us to remain within manageable borrowing levels.

[Impact on longer term HRA revenue budgeting](#)

Failure to implement the maximum rent increase allowed by the WG Minister would lead to even further pressures on HRA budgets and therefore capital programmes. For example, even a 0.5% deviation from the maximum 6.7% increase would reduce income by nearly £90K next year and for each subsequent year following. By the next deadline date for WHQS compliance this 0.5% deviation would be £358,337 less to spend. This would also mean the potential risk of increasing backlogs in our improvement programmes and it would take us even longer to achieve the new WHQS, to the detriment of our tenants.

Element	Compliance date
3b) In the interim, all homes must meet a minimum of SAP 75 – EPC C	31 March 2030
3c) Carbon emissions from homes must be minimised (minimum of EIR 92)	set by the Targeted Energy Pathways
3d) Landlord’s must carry out a Whole Stock Assessment and produce Target Energy Pathways for their homes	31 March 2027

Source WHQS Welsh Government October 2023

4) Impact on Household Affordability

We currently have 72% of households in receipt of some support to meet their weekly rent, either through Housing Benefit or Universal Credit Housing Costs. Any increase in weekly rent charge will be met by the housing costs support for these households (assuming their circumstances did not change).

In addition, we have adopted the Joseph Rowntree Foundation (JRF) Living Rent Model to enable us to assess our rent levels for affordability in relation to household income in the county. This uses the Office for National Statistics (ONS) data from October 2023 on average household incomes in Denbighshire.

- We have used the lowest **30th percentile** of average incomes to reflect the lowest **earned** incomes in the County.
- We set a target for our weekly rent to be no more than **28%** of this lowest average weekly earned income.

Even with a 6.7% increase a household with the lowest third of average earned income would still have a weekly rent less than 28% of this income.

While we aim to ensure that our rent is affordable, we also continue to offer a range of income maximisation support for households. [Advice & Support to Promote Affordability](#)

It is important to add that the Council charges a lower average rent than RSLs who operate in Denbighshire, so our tenants are paying less rent than most other social housing tenants in the county.

More detail on the affordability model can be found here -

http://pdf.savills.com/documents/Living_Rent_Methodology.pdf?_ga=1.123272841.345168137.1430233577

Our Affordability modelling is shown in the graph below -

Affordability

No one on the lowest 30th percentile of earned incomes should have a weekly rent of more than 28% of their income.

The Joseph Roundtree Foundation (JRF) Living Rent Model allows us to calculate this.



Advice & Support to Promote Affordability

Council tenants have access to a free and independent welfare rights, energy and debt advice service called **Key To Advice**. This is currently delivered by **Citizens Advice Denbighshire** and this also enables the housing team to benefit from a specific worker from CAD to provide support to tenants. This includes a focus on fuel poverty to assist our tenants with their fuel bills and tariffs.

Highlights of April 2023 to October 2023 of the Key to Advice project are:

- 244 tenants supported
- £628,139 annual income gains

Working Denbighshire

We also have a dedicated Housing Employment Mentor in partnership with Working Denbighshire. This focuses on working closely with tenants to enable them to be employment ready, provide access to job searches and provide work placements and training opportunities. 55 council tenants have been supported in 2023.

Financial Inclusion

We also have a Financial and Digital Inclusion Officer in the Community Resilience team, funded by the HRA, who works alongside Community Housing to support council tenants to access advice and information and support on financial matters.

This role provides community level support as opposed to individual case work bringing specialist advice services into the community via groups and events.

Examples of projects include money advice workshops, digital literacy surveys and supporting digital awareness sessions.

5) Impact on longer term HRA budgeting

The chart below shows the annual spend required on our housing stock to deliver -

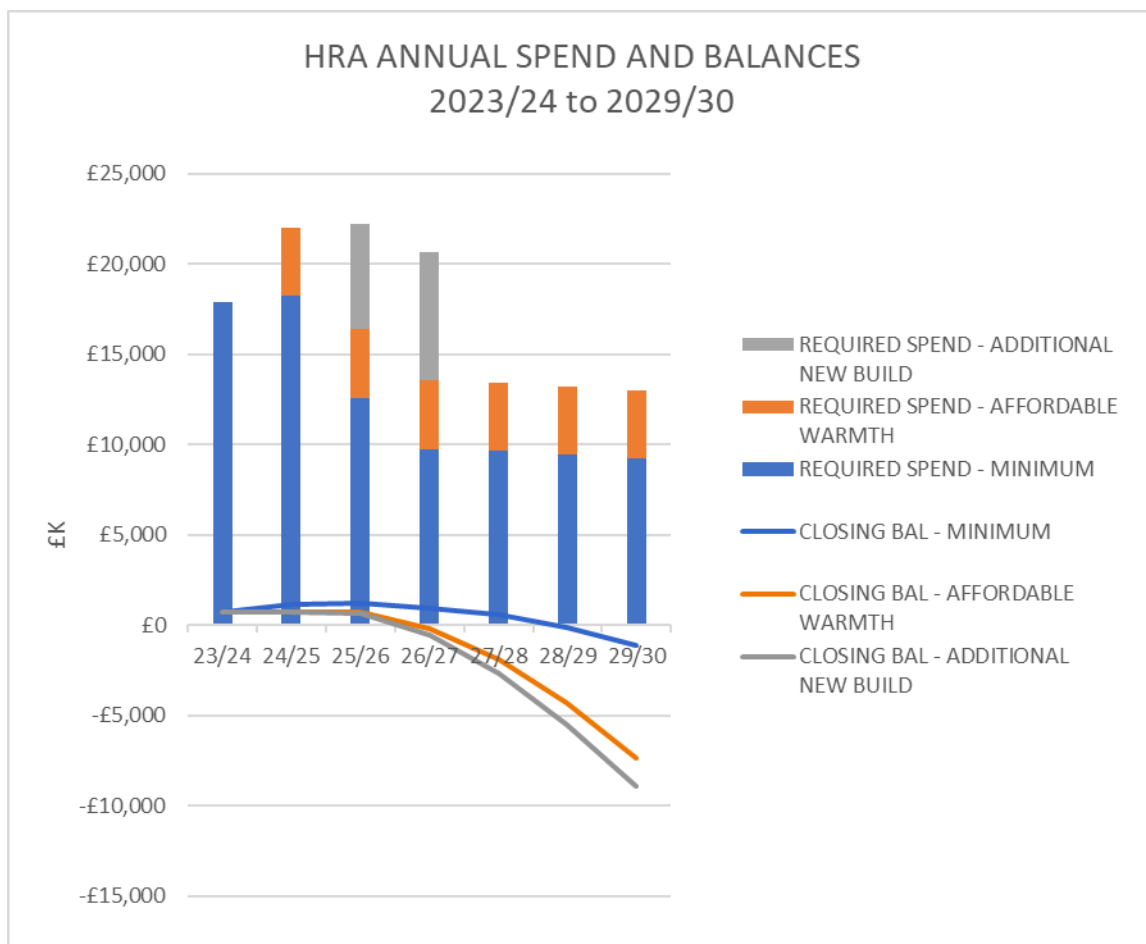
A. The 'bare minimum' standard to continue with our improvement and new build programmes.

B. The WHQS affordable warmth target by 2029

C. Additional new build properties to meet our Council target of 170 properties by 2027

The chart also shows the impact of these levels of spend on the balances of the HRA. Even the lowest level of spend leads to balances falling below zero in 5 years' time.

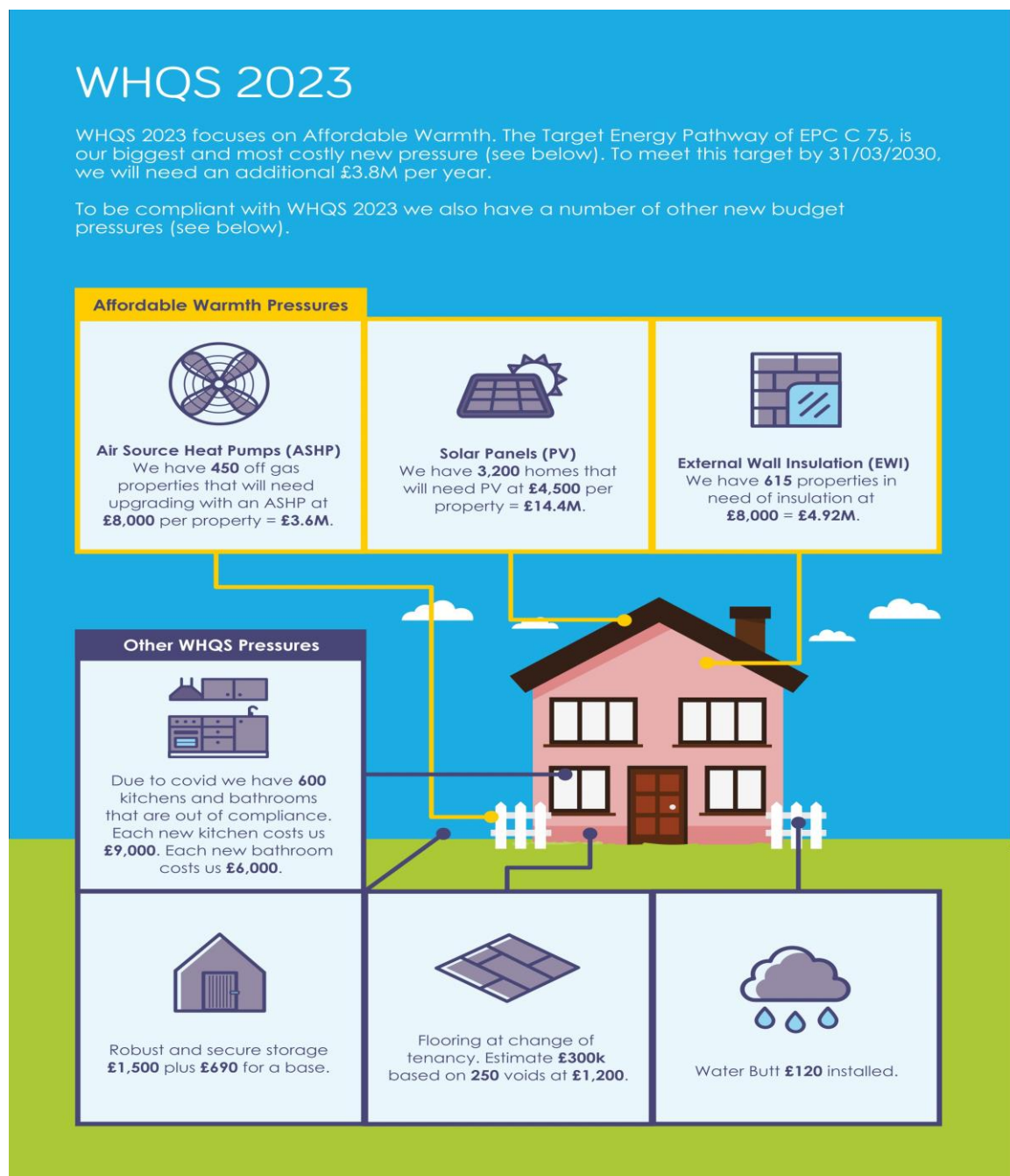
This includes all external grants for improvements and new homes at current levels.



6) Capital investment in our stock

The following infographic outlines where we are with the Welsh Housing Quality Standard (WHQS) and the additional pressures on our level of investment required so we can achieve what is required of us and will help our households in term so the quality of their homes.

We need to spend an additional £3.8m per year to achieve the additional WHQS 2 items and the kitchen / bathroom programme as well as existing safety and compliance matters.

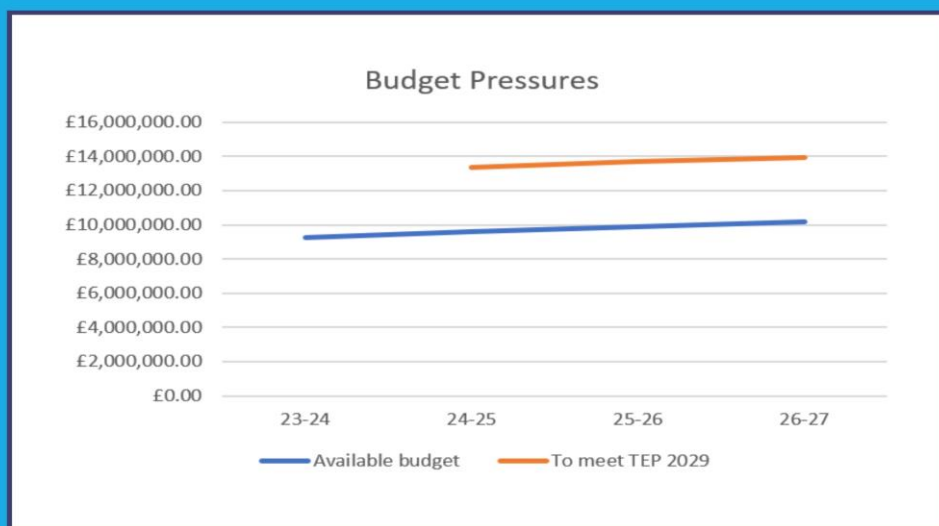


Budget Pressures on the Housing Revenue Account

The graph below shows the additional investment required to achieve WHQS 2 alongside our current expenditure. Therefore, even with the maximum rent increase this year we do not have sufficient funding to be able to achieve the new standards within the required timescale without a significant increase in Welsh Government support.

To demonstrate this the second graph shows the extent of the challenge with kitchen and bathrooms replacements.

Budget Pressures

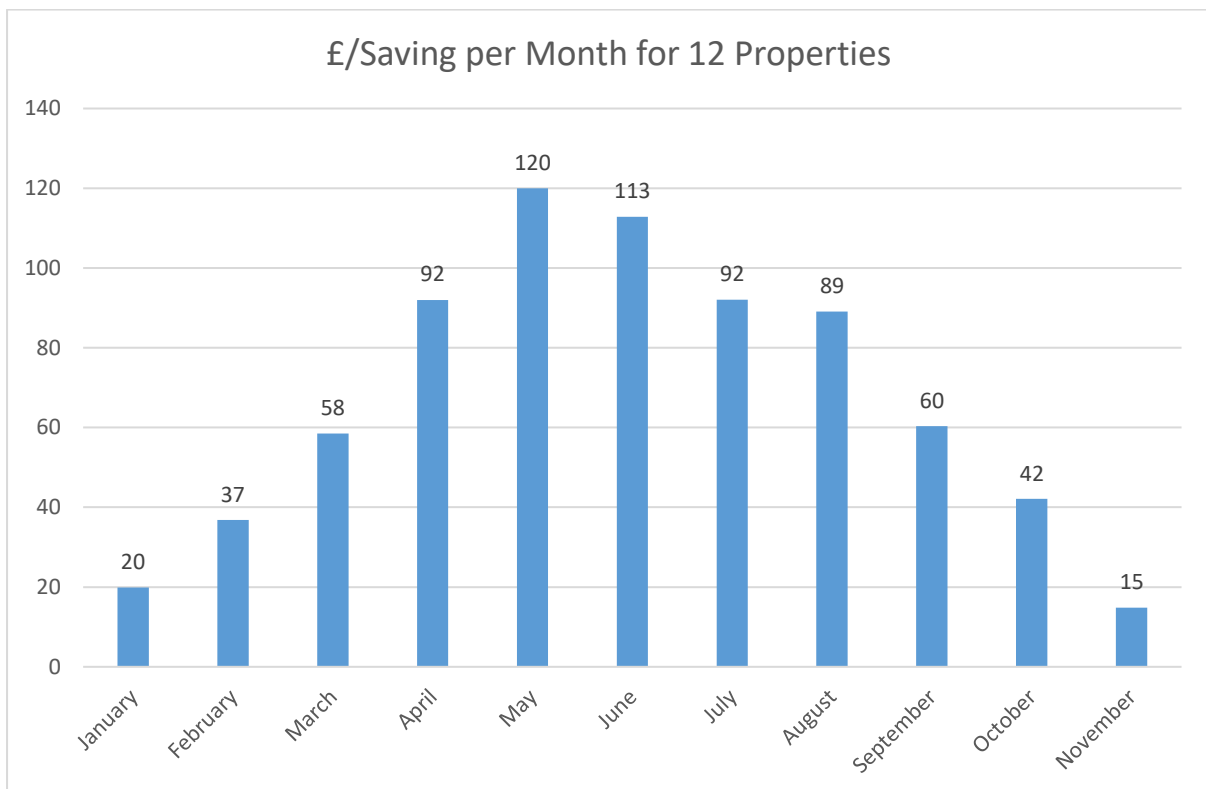


	2023 /24	2024/ 25	2025	2026	2027	2028	2029	2030	2031	2032	2033
Number of kitchens out of compliance	664	1,145	1,418	1,411	1,266	1,066	866	666	466	266	66
We can achieve	200	200	200	200	200	200	200	200	200	200	66
Balance (positive number is non compliant, negative is compliant)	464	945	1,218	1,211	1,066	866	666	466	266	66	0

7) Impact of our Investment

On a positive note, the graph below shows the benefit to households of investment in our homes. These are 12 random homes selected following “retrofit” improvement works which have significantly improved the energy efficiency and therefore weekly bills for these households.

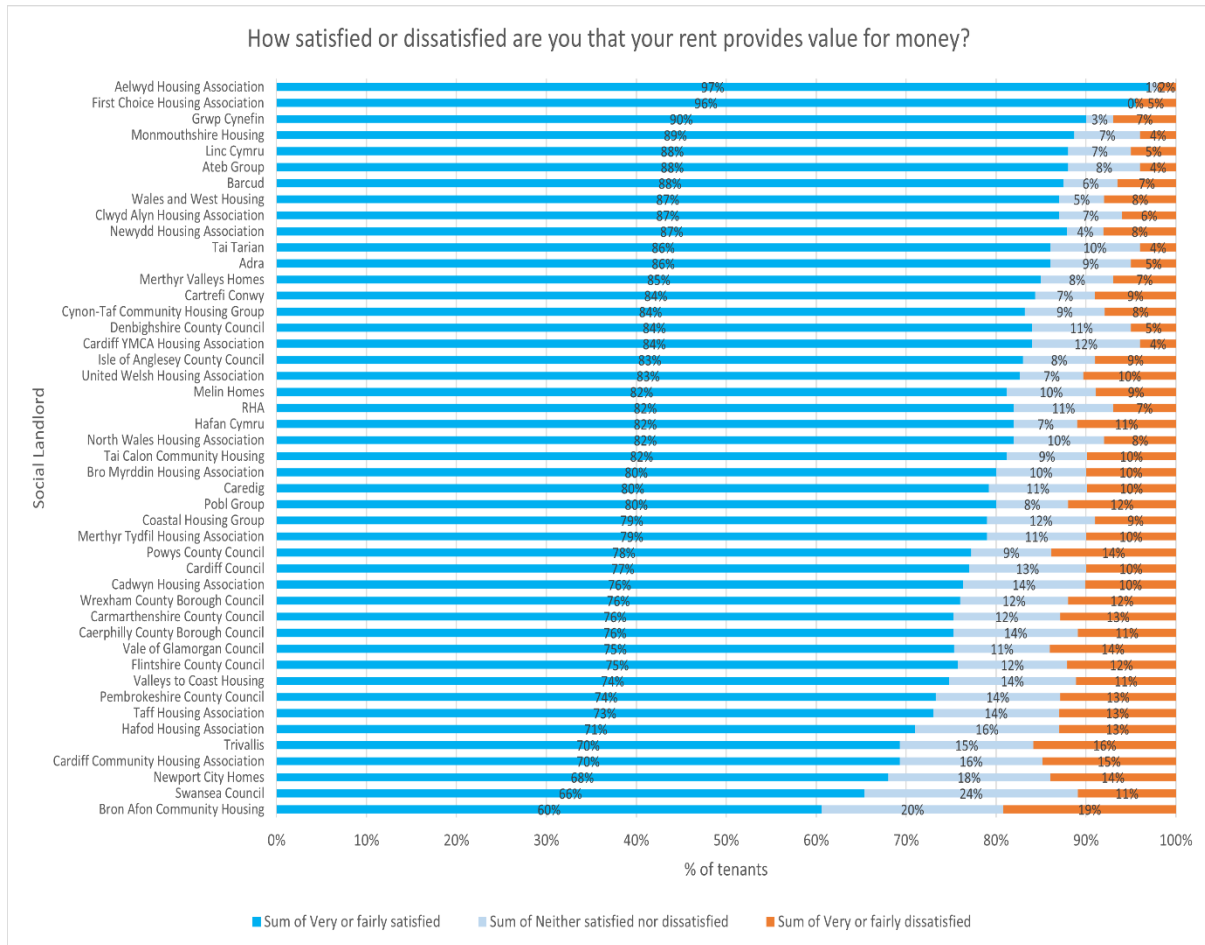
Each individual property is saving approximately £36 per month due to Retrofit energy efficiency works.



8) Value For Money

Our most appropriate measure of value for money is feedback from our tenants.

The graph below shows all social landlords (Councils and RSL's) in Wales. Denbighshire has 85% value for money satisfaction which places us 16th out of 46 Landlords in Wales.



Source: WG May 2023

Service Charges

Service chargeable income collects actual costs for specific services and overall shows a slight increase over last year to £460k. Individual properties may be subject to a varied charge. As a result, the average charge per property has increased to £2.61 per week (from £2.33 last year).

We aim to keep service charges as low as we possibly can and ensure value for money through competitive costs and the delivery of good quality services. We

have compare our service charges to other landlords and we remain amongst the lowest on average.

Cost Efficiency

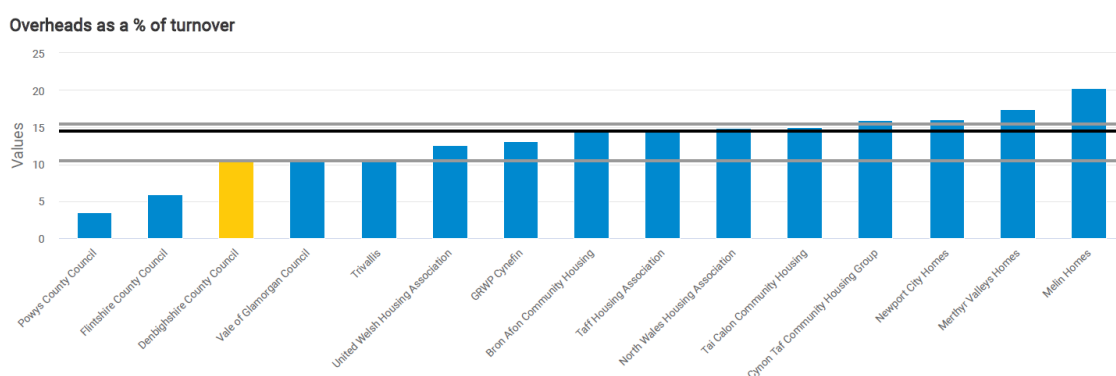
The information below is taken from data provided by the national benchmarking service HOUSEMARK and shows our costs are relatively low compared to comparable landlords but our cash investment in our assets is high.

1.1 Overheads

This graphs show Overheads as a percentage of our Turnover and Cost Per Property (CPP) and Employee Overheads.

This is all the staffing and support costs for running the housing and property management service.

The full report is available on request.



Source: Housemark

Communication with Tenants

- We provide information to our tenants on how their rent money is spent. Each year with the rent increase notification letter we send all tenants a booklet which explains -
- How the average weekly rent is spent with a breakdown of our management, maintenance and finance costs.

Tenant feedback on our Rents

We recently surveyed council tenants about their weekly rent and overall the feedback, from 778 responses, was that 73% of households told us that they believe that our rents are fair with 6% saying they are not.