

Report to	Cabinet
Date of meeting	17th December 2024
Lead Member / Officer	Councillor Rhys Thomas - Lead Member Housing & Communities
Head of Service	Liz Grieve - Head of Housing & Communities
Report author	Geoff Davies - Lead Officer Community Housing
Title	Housing Rent Setting & Housing Revenue and Capital Budgets 2025/26

1. What is the report about?

1.1. To seek approval from Cabinet for the Denbighshire Housing annual rent increase, the Housing Revenue Account Capital and Revenue Budgets for 2025/26 and Housing Stock Business Plan.

2. What is the reason for making this report?

2.1. It is a statutory requirement to set budgets and rent levels before the start of the new financial year. The budget must be consistent with the assumptions within the Housing Stock Business Plan (HSBP) which has been designed to maintain Welsh Housing Quality Standard throughout the 30-year business plan.

3. What are the Recommendations?

- 3.1. That the Housing Revenue Account Budget for 2025/26 (Appendix 1) and the Housing Stock Business Plan (Appendix 2) be adopted.
- 3.2. That rents for Council dwellings be increased in accordance with the Welsh Government (WG) Policy for Social Housing Rents by 2.7% to an average of £112.29 with effect from Monday 7th April 2025.

3.3. Cabinet are asked to note the additional report (appendix 3) on the considerations taken into account when deciding on this recommendation.

3.4. That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 4) as part of its consideration.

4. Report details

4.1. The latest forecast outturn for the Housing Revenue Account (HRA) for 2024/25 is detailed in Appendix 1, in line with the monthly monitoring report. Balances at year end are forecast to be £759,517.

4.2. The proposed budget for 2025/26 is also detailed in Appendix 1. The budget has been calculated to ensure we can deliver our revenue services; the capital investment programme, to strive to achieve quality standards for our homes; and continue to develop our new build programme.

Welsh Government Rent Policy

Welsh Government has a policy for social housing rents that will be applied consistently by all social landlords.

Welsh Government rent policy sets a maximum annual rent uplift of **CPI +1%** using CPI from the previous September but with Ministerial discretion if CPI exceeds 3%.

4.3. In September 2024 UK inflation (CPI) was 1.7% and the increase is therefore within the policy to a maximum rent increase of **2.7%**. We are committed to the requirement that there will be no evictions due to financial hardship where there is engagement.

The policy is a maximum and due to the pressures on the HRA to invest in our homes to achieve the Welsh Housing Quality Standard (WHQS), and also strive to deliver the corporate plan target for new homes, we are proposing to increase our weekly rents by **2.7%**.

Therefore, in summary –

- The overall total increase across all stock is 2.7%.
- The average weekly rent will be £112.29

In making this recommendation we are able to clearly evidence that our rents remain affordable and any increase will help us invest back into our homes and communities to benefit all our tenants and their households.

Any less of an increase will lead to further pressures and more extended programmes to achieve higher standards for social housing in Wales. A detailed review of this recommendation as set out in Appendix 3.

75% of households are in receipt of welfare benefit and housing costs support, therefore the increase in rent is covered by this support.

There is a need for balance to ensure we can continue to invest in our existing homes and consider carefully managed growth through our new build programme. Maximising our own income generation is an important factor when seeking to draw down extra grants from the Welsh Government.

Housing Stock Business Plan (HSBP)

As part of the budget process it is necessary to review the Housing Stock Business Plan and this is achieved through a due diligence exercise on an on-going basis to review the assumptions used and to validate the robustness of the financial model. In addition, the review undertakes a sensitivity analysis.

The current Housing Stock Business Plan assumes a minimum balance of £750k is maintained over the mid-term to mitigate against any future risks.

The HSBP maintains borrowing to fund capital works such as the new build and improvement programmes. The level of borrowing is closely monitored as this is related to annual capital financing costs.

All council's in Wales have reached agreement with Welsh Government to remove the borrowing cap from HRA's as per the Deed of Termination of HRA Subsidy Voluntary Agreement 20th March 2019. This repealed the previously agreed cap introduced by the Housing Act 2014 settlement payment.

Local Authorities in Wales are still required by Regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. Therefore, any borrowing undertaken by LHAs following the abolition of the borrowing cap will continue to be “unsupported” and any increase is for Local Authorities to manage within their existing resources. Any significant increases in borrowing will impact on available revenue expenditure.

Service Charges

Service chargeable income collects actual costs for specific services only applicable to certain homes. These include communal areas services such as lighting, cleaning and grounds maintenance. These are based on actual costs.

Overall costs show an increase over last year to £507k. Individual properties may be subject to a varied charge. The average charge per property has increased to £2.86 per week (from £2.61 last year).

5. How does the decision contribute to the Corporate Plan 2022 to 2027: The Denbighshire We Want?

5.1. Housing is a Corporate Priority and the capital program will support the local economy by maximising the local employment, training and supply chain opportunities for local people and businesses.

6. What will it cost and how will it affect other services?

6.1. The Housing Revenue Account is ring fenced and costs of implementation are covered by income through rents and service charges.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. The Council appreciates that any increase in weekly rent could have an impact on some of our customers’ ability to meet their weekly commitments.

7.2. The increased income is needed to invest in our homes ultimately benefitting our tenants.

8. What consultations have been carried out with Scrutiny and others?

8.1. The Denbighshire Tenants and Residents Federation (DTARF) have been consulted and the reason for the rent increase and the impact on the HRA business plan has been fully explained to the group.

9. Chief Finance Officer Statement

9.1 In setting next year's budget for the HRA, and the annual increase in rent, there is a need to balance affordability for tenants and the sustainability of the Housing Revenue Account.

Appendix 3 clearly demonstrates that the proposed increases in rent are affordable, yet at the maximum level of increase allowed by Welsh Government. Appendix 3 also highlights the significant investment that has been taking place in recent years in the Council's housing stock to increase the level and quality of homes available which has been funded largely by borrowing. Borrowing must be repaid from the Housing Revenue Account which is under pressure from the increased costs of borrowing and other factors linked to inflation such as pay awards, increased costs of repair and maintenance, etc.

Appendix 1 shows the HRA reserve reducing in 2024/25 and 2025/26, and Appendix 2 shows the HRA in deficit by 2026/27, capital plans for 2026/27 – 2028/29 need to be reviewed as the current plan is not sustainable. Appendix 3 explains the need for a 'deep dive' review of the Housing Stock Business Plan early in 2025 to ensure that the HRA remains financially viable, and this is fully supported.

10. What risks are there and is there anything we can do to reduce them?

10.1. The risk is a failure to follow the Housing Stock Business Plan and to set budgets accordingly could lead to financial concerns and potential intervention by Welsh Government.

11. Power to make the decision

11.1. Rent policy is determined by the Housing (Wales) Act 2014. The Housing Revenue Account is ring-fenced by statute.