

# Housing Rent Setting 2025/2026

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 "value for money" satisfaction is amongst the highest in Wales
- Our tenants "satisfaction with the overall service" is amongst the highest in Wales

### **3) Background**

Each year, we are required to consider our annual rent increase in line with the maximum allowed by the Welsh Government Cabinet Secretary Housing & Local Government.

Whilst our need is to increase our rents in line with the maximum allowed, to ensure we can continue to meet cost increases, before making this recommendation we have measured our rent levels using a nationally recognised affordability model. With the maximum increase allowed we can confirm that our rents remain affordable for the lowest income earners in Denbighshire.

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?**

We have reported in previous years that we have experienced significantly rising costs traceable back to the period after the pandemic and then followed by a period of high inflation. This has led to significant cost increases in the building & construction sector which has impacted on our investment programmes in our housing stock.

In addition, the increased standards specified in Welsh Housing Quality Standard (WHQS 2) will require us to achieve significantly higher energy ratings for all our homes. This will require significantly increased levels of investment to what we have previously committed. This investment, while a significant cost to us as the Landlord, will benefit our tenants who will be living in an excellent standard of accommodation with a renewed focus on affordable warmth.

Any rent increase that is less than the maximum allowed would impact on our ability to invest in our homes and extend the time we need to meet new standards. 1% is approximately £190k per annum less for every year of the business plan.

## 4) Impact on Household Affordability

As part of our consideration of the increase we monitor other income changes for our households. Notable highlights are:

- State Pension will increase by 4.1%
- Minimum wage will increase by 6.7%
- Actual wages expected to increase by 4.7%
- Universal Credit and welfare benefits will increase by 1.7%. (any increase in housing costs will be met for these households)

We currently have 75% 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 2024 on average household incomes in Denbighshire.

- We have used the lowest **30<sup>th</sup> 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 2.7% increase, a household with the lowest 30% of average earned income, would still have a weekly rent comfortably 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](#)

More detail on the affordability model can be found here -

[http://pdf.savills.com/documents/Living\\_Rent\\_Methodology.pdf?\\_ga=1.123272841.345168137.1430233577](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.



**Family in 3-bedroom council house**

With a **2.7%** increase, the weekly rent for a family in a 3-bedroom council house in Denbighshire will be **£127.32**


this is **£23.04** per week less than the Living Rent Model



**Family in 2-bedroom council house**

With a **2.7%** increase, the weekly rent for a family in a 2-bedroom council house in Denbighshire will be **£115.74**

this is **£24.60** per week less than the Living Rent Model



**Single person in 1-bedroom council flat**

With a **2.7%** increase, the weekly rent for a single person in a 1-bedroom council flat in Denbighshire will be **£94.25**

this is **£16.01** per week less than the Living Rent Model



**Single person in 1-bedroom council bungalow**

With a **2.7%** increase, the weekly rent for a single person in a 1-bedroom council bungalow in Denbighshire will be **£104.18**

this is **£16.11** per week less than the Living Rent Model

## 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 2024 to October 2024 of the Key to Advice project are:

- 117 tenants supported
- £236,767 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.

## 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.

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



## **Impact on longer term HRA budgeting**

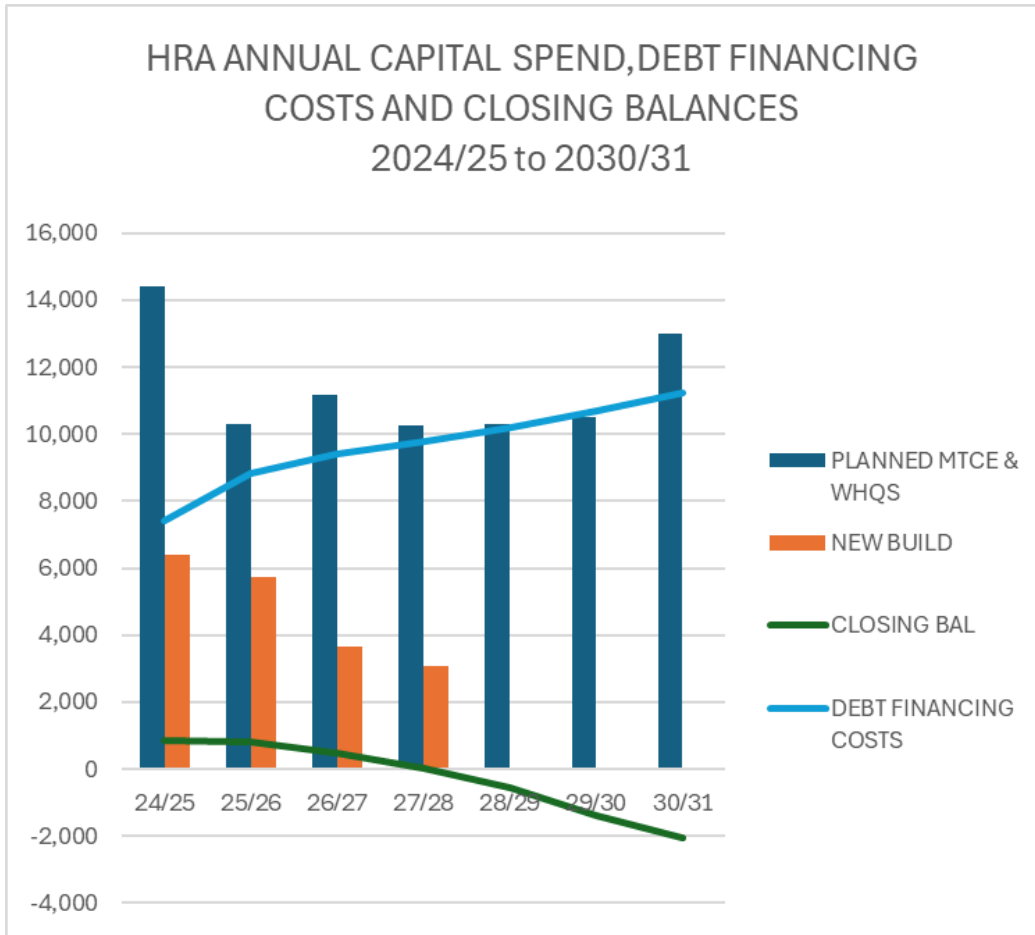
Over the last few years, the Council's annual (capital) spend on maintaining its existing housing stock and building new houses has increased dramatically. This is due to a number of factors, including the introduction of new WHQS, high levels of inflation and the target of adding 170 new houses to our stock by 2027 subject to the availability of Welsh Government funding.

Unfortunately, the level of external funding has not matched this increase in spend, meaning the Council has to borrow to fund a significant portion of its capital spend.

This additional borrowing places a burden on the Housing Revenue Account in the form of interest payments and Minimum Revenue Provision (MRP – an amount set aside each year to repay outstanding debt). The forecast for the next 5 years shows that our current level of capital spend, and the borrowing required to fund it, is financially unsustainable.

We therefore intend to carry out an 'deep dive' review of our Housing Stock Business Plan early in 2025 in order to ensure that the HRA remains financially viable while continuing to provide homes for our tenants which are safe, warm and comfortable and which meet current quality standards.

The following graph shows the impact on our debt financing costs and closing HRA balances of the forecast capital spend over the next 7 years.



## 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.



# WHQS 2023

WHQS 2023 focuses on Affordable Warmth. The Target Energy Pathway of EPC C 75, is our biggest and most costly new pressure (see below). To meet this target by 31/03/2030, we will need an additional £3.8M per year.

To be compliant with WHQS 2023 we also have a number of other new budget pressures (see below).

## Affordable Warmth Pressures



### Air Source Heat Pumps (ASHP)

We have **450** off gas properties that will need upgrading with an ASHP at **£8,000** per property = **£3.6M**.



### Solar Panels (PV)

We have **3,200** homes that will need PV at **£4,500** per property = **£14.4M**.



### External Wall Insulation (EWI)

We have **615** properties in need of insulation at **£8,000** = **£4.92M**.

## Other WHQS Pressures



Due to covid we have **600** kitchens and bathrooms that are out of compliance. Each new kitchen costs us **£9,000**. Each new bathroom costs us **£6,000**.



Robust and secure storage **£1,500** plus **£690** for a base.



Flooring at change of tenancy. Estimate **£300k** based on **250** voids at **£1,200**.



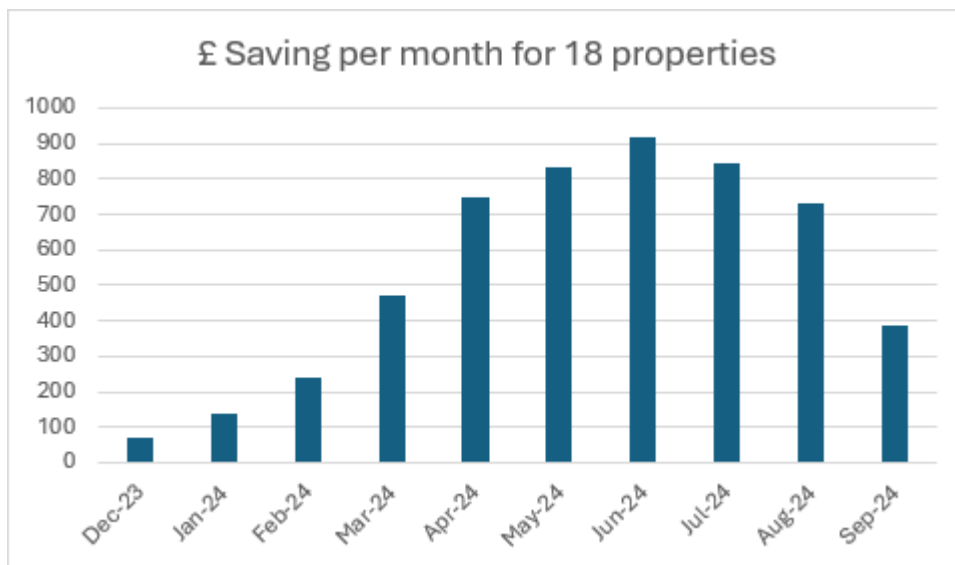
Water Butt **£120** installed.



## Impact of our Investment

On a positive note, the graph below shows the benefit to households of investment in our homes. These are 18 random homes selected following “retrofit” improvement works which have significantly improved the energy efficiency and therefore weekly bills for these households.

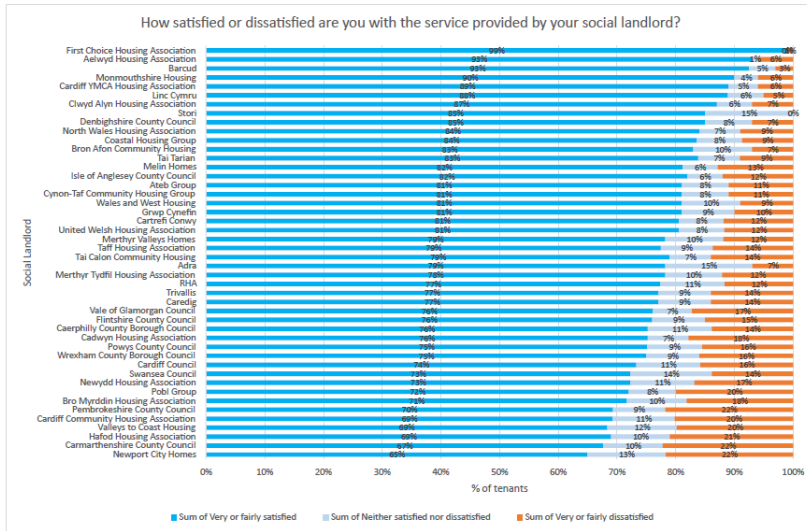
Each individual property is saving approximately £29 per month due to Retrofit energy efficiency works.



# Feedback from Council tenants

## Overall satisfaction.

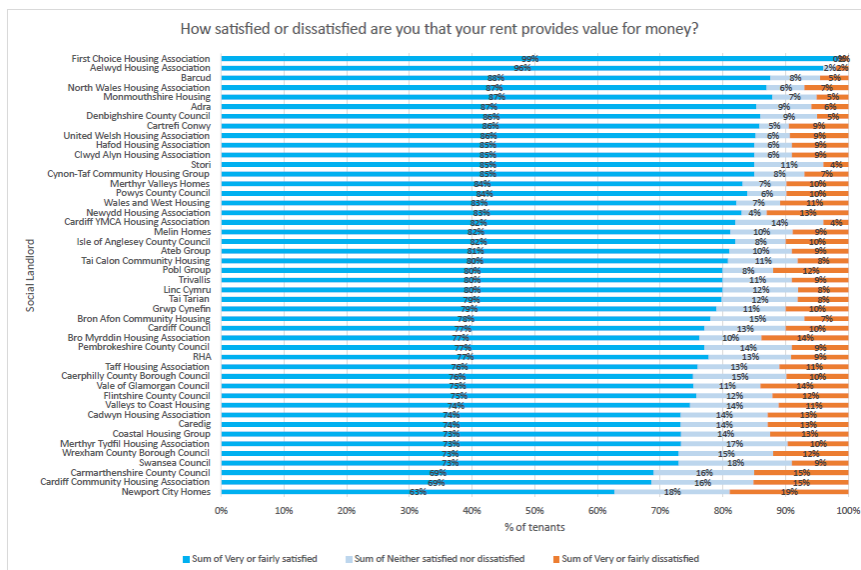
In our STAR survey of our tenants in January 2024, 85% of Denbighshire tenants said they were satisfied with the service provided. This places us 9th out of 46 social landlords in Wales and the top council.



Source: Welsh Government June 2024

## Value For Money

Denbighshire has 86% value for money satisfaction which places us 7th out of 46 Landlords in Wales.



Source: Welsh Government June 2024

## 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).

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.

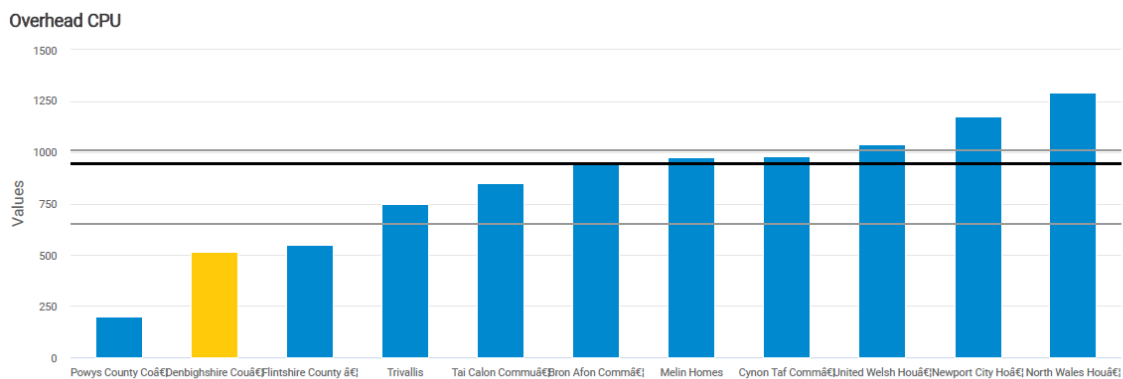
## Cost Efficiency

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.

This graph shows Overheads as a Cost Per Property (CPU).

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

The full report is available on request.



## 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.