



CABINET - 11TH DECEMBER 2024

SUBJECT: HOUSING REVENUE ACCOUNT CHARGES – 2025/2026

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

For Members to consider and take a view on the increased Council Housing rent charges proposed in this report. The charges predominantly focus on council house rents, but also include garages, and are intended to be effective for the Housing Revenue Account (HRA) for the 2025/2026 financial year. The report was presented to the Housing and Environment Scrutiny Committee on the 10th December 2024 and any comments or recommendations from Scrutiny will be verbally presented due to the short timeframe between the two meetings.

2. SUMMARY

- 2.1 Members will be aware that the preparation of the Housing Revenue Account (HRA) budget is quite separate to the work involved in setting the General Fund Budget and Council Tax. The HRA is funded by rental income received from Council Tenants (Contract Holders), rather than the Council Taxpayer. Whilst there is a clear separation of these funds, most of the proportion of council tenants rent is funded from financial support in the form of Housing Benefit or Universal Credit, which is derived from the taxpayers' purse, therefore value for money must always be sought. 77% of our tenants receive financial assistance towards their rent. We charge our council tenants rent over a 48-week basis, but the Welsh Government (WG) base their rents on a 52-week basis, so this report shows the 52-week equivalent.
- 2.2 The Affordable Housing Supply Review was published in April 2019. The purpose of the review was to examine current arrangements supporting the development of affordable housing, and to make recommendations for changes designed to increase supply and improve delivery from the resources available. One of the tasks included making a recommendation on how a sustainable rent policy can help determine long term affordability for tenants and the viability of existing and new housing developments.
- 2.3 The key recommendations from this review in correlation to the rent policy was
1. *The Welsh Government should implement a five-year rent policy from 2020-21. This has been based on CPI plus 1% plus an additional £2. (CPI is from the previous September)*

2. *There should be a focus on landlords considering Value for Money alongside affordability. An explicit annual assessment on cost efficiencies should be part of the rationale for justifying any rent increase.*

2.4 In reaction to this review, The Minister for Climate change has stated “*There must be a clear balance between the interest of landlords and residents. Affordability for tenants must take into account the whole cost of living in a property and Landlords are expected to consider these costs when setting rents each year. Affordability is an issue I take very seriously, and I am mindful of not placing excessive financial burdens upon tenants*”.

2.5 The Minister in the past has also been keen to continue with a number of initiatives as part of the wider rental agreement which include:

- Strengthen approaches designed to minimise all evictions, working effectively with partners to deliver on a new agreement not to evict into homelessness.
- Undertake a standardised tenant satisfaction survey for publication on a central website to assist tenants in scrutinising and comparing landlord performance. This is the STAR (Survey of Tenants and Residents) survey. Caerphilly Homes undertook its last STAR survey in October/November 2023 and is required to carry out the survey every two years. The results of this survey were published by Welsh Government in June 2024 along with all the social landlords in Wales. Feedback regarding the results were also provided to all Contract Holders, Housing employees and Councillors in May/June 2024. The results were reported to Scrutiny members in February 2024.
- Build on existing commitments to deliver high quality homes which comply with the new housing quality standard “WDQR 2021”(Welsh Development Quality Requirements) across all tenures on sites which attract Welsh Government funding.
- Continue to work towards an aspiration that all new build housing, regardless of tenure, achieves energy efficiency standards of no less than EPC A on sites that attract any Welsh Government funding.
- All Social landlords are required to make, and evidence, an annual assessment of affordability for tenants, cost efficiencies and to demonstrate their homes and services represent value for money as part of their decision on the rent uplift to be applied each year. To assist with providing Welsh Government with the necessary assurance, each social landlord will be required to complete a self-certification monitoring form which will be used to monitor compliance with the Welsh Government Rent Standard. This form must be completed and returned typically by the end of February each year.
- A voluntary agreement was pursued from Councils and RSL’s to ensure tenants are supported through the cost-of-living crisis.

2.6 Members may recall from previous reports of the specific issues that arose which impacted on the most recent rent setting process, namely,

1. The Renting Homes Wales Act.
2. The cost-of-living impact with a significantly high inflation rate.

- 2.7 The new Renting Homes Wales Act came into effect from 1st December 2022 and was the biggest change to housing laws in Wales for decades. The Act required significant changes in the way contracts are provided, the way homes are maintained and how landlords communicate with their contract holders/tenants. It also stipulated that tenants need at least 2 months' notice of any rent increases, instead of the previous 28 days.
- 2.8 The last few years have been unprecedented in terms of the market volatility that has seen significant increases in inflation. Welsh Government typically do not confirm the rent policy details for the forthcoming financial year until very late in the previous year meaning a very short timescale for members to agree any rent increases and inform tenants. The existing rent policy is for the five years 2020/21 to 2024/25 and has therefore ended. However, Welsh Government has recently announced that this policy will be extended for 1 year into 2025/26 whilst they develop a new rent policy which will be committed to a more consistent approach. A formal consultation with stakeholders is planned for Summer 2025.
- 2.9 The Consumer Price Index (CPI) rate under the current policy has been confirmed as 1.7%.
- 2.10 WG have discretion to amend the "CPI plus 1%" rule only if CPI falls below 0% or above 3%
- 2.11 Jayne Bryant MS, the Cabinet Secretary for Housing and Local Government announced on the 16th October 2024 when the CPI rate of 1.7% was confirmed, that the rent cap of CPI +1% places affordability at the heart of the social rent policy. She also goes on to say that *"The volatility of the last couple of years, as inflation peaked at 11.1% in October 2022 and remained persistently high coupled with energy price hikes, has caused significant cost-of-living challenges for tenants and for the social housing sector. We intervened during this period to set maximum social rent caps to balance affordability with landlord's abilities to continue to deliver essential services to tenants. Many social landlords continue to supplement their existing services with additional financial support and advice for tenants. These initiatives build on the fundamental expertise social landlords in Wales have developed in recent years to undertake affordability assessments, which are used to inform their local rent setting policies."*
- 2.12 The Senedd Member also made reference to the review of the current social rent policy. *"We are continuing to progress work to develop a clear, more robust social rent policy for the future. Our work takes this focus on affordability as its starting point. It recognises the priority social landlords place on ensuring affordability for their tenants, and the value of flexibility provided to social landlords under the current rent standard. To ensure our future social rent policy reflects the Welsh Housing context, needs and ambitions, we are working in close collaboration with social landlords and other partners to ensure their input informs our policy development. This approach is vital to ensure we balance existing and future needs of both social landlords and their current and future tenants."*
- 2.13 The latest Business Plan submitted to Welsh Government in March 2024 (the 2024/25 plan) assumed a rent increase of 4% for 2025/26 (assuming CPI would fall from 6.7% to 3%) reducing to 3% (CPI 2% plus 1%) for 2026/27 onwards. This, however, was on the basis, that the Bank of England in 2024 expected inflation to fall towards its 2% target by 2025 and the Business Plan therefore built in a steady

reduction over the next few years.

- 2.14 The plan also allowed for a 4% increase in material costs in 2025/26. Whilst there has been some visible shoots of recovery overall for material cost inflation, some prices remain high. There are, however, huge variations between materials, for example, products with energy intensive manufacturing processes are still seeing cost increases according to BCIS (Building Cost Information Service) whilst gravel, sand and fabricated steel show the greatest drop.
- 2.15 Further modelling has also been carried out under the Joseph Rowntree Foundation (JRF) affordability model, which was adopted by Cabinet in July 2022. This has continued to show favourably against our current rent level and the maximum increase of 2.7%
- 2.16 An affordability survey managed by Caerphilly Homes, has been available for tenants as part of the rent setting process since 2021/22 when the Minister insisted that affordability must be taken into consideration. Officers continue to develop this survey each year. The survey is called “Your Rent, Your Views” with the aim of capturing tenants’ views on their rent, particularly on affordability and value for money. This years survey was carried out during September 2024.
- 2.17 In addition to the affordability survey, as a landlord, we are obliged to survey our tenants under a standard STAR survey, as mentioned in 2.5 above, which is a consistent framework for social landlords to collect, report and measure on tenant’s satisfaction. The most recent survey was sent out in October/November 2023. The survey consists of the required core questions dictated by Welsh Government and one of these key questions include a direct reference to value for money. There was a 29% response rate with 3,036 tenants taking part. This was a bigger response than the previous survey undertaken in 2021 when 1,847 tenants took part

3. RECOMMENDATIONS

- 3.1 Cabinet are asked to consider the views from the Housing and Environment Scrutiny Committee meeting held on the 10th December 2024.
- 3.2 Officers recommend to Cabinet the following increases for consideration from April 2025 based on the options explained in the report, which are: -
- (i) Rent is increased per property to the maximum permitted as per the WG rent policy which is 2.7%. This would increase the current average gross rent by £2.87 per week from £106.44 to £109.31 per week over 52 weeks.
 - (ii) The level of rent for garages from April 2025 be increased by the same level at 2.7% from £9.44 per week to £9.69 per week, an increase of 25p per week.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 Inflationary increases on providing all aspects of the housing service are experienced annually, however as the HRA cannot legitimately set a deficit budget, the loss of additional income will result in reduced resources being available to effectively manage and maintain the stock impacting on service delivery and could result in

increased levels of borrowing, which is an additional cost to the HRA.

- 4.2 Housing Benefit/Universal Credit will cover the increased costs for the rent charge in this report for 77% of our tenants up to the Housing Benefit limitation rate (yet to be confirmed).
- 4.3 If charges are not increased annually, it has a detrimental effect on subsequent years as higher increases are then needed to recover the shortfalls from previous years.
- 4.4 The Council's Business Plan relies on inflationary increases to remain viable and cover increasing costs associated with the delivery of the service.
- 4.5 In previous years 2022/23 to 2024/25, the rent increase has been lower than the inflation rate and the rent policy, and therefore has had a detrimental effect on the business plan.
- 4.6 Additional resource is necessary to be able to meet the demands from Welsh Government on maintaining the WHQS, the provision of new affordable housing (Caerphilly CBC target is 1000 new homes over the next 10 years), decarbonisation of the existing stock and increasing support for tenants in order to sustain tenancies, reduce homelessness and minimise evictions.
- 4.7 The impact of Covid and the Cost of Living has significantly impacted on the HRA, in particular material costs, but with a considerable reduction in productivity and resource issues, meaning that our budget has been delivering less.
- 4.8 WG will have duly considered all options for the 2025/26 rent settlement and has consulted with all relevant stakeholders including tenant representative bodies. It must therefore be acknowledged that the WG rent increase represents a fair balance between supporting tenants and maintaining the business needs of social housing providers.
- 4.9 CCBC rent is currently one of the lowest rents across all the Welsh Local Housing Authorities (Data Stat Wales places CCBC 3rd lowest Local Authority for 2024/2025 rent) We estimate that our position for 2025/26 would remain in the lowest quartile.

5. THE REPORT

5.1 Rent Increase

- 5.1.1 Members will recall that the rent policy under Welsh Government (WG) has changed over recent years, and the Minister has reacted where necessary year on year. The current rent policy has been fixed for a five-year term. The existing 2020/21 to 2024/25 five-year rent policy was set at CPI plus 1%, and whilst 2024/25 was the final year under this policy, there was no official engagement from WG in terms of what the rent policy will look like from 2025/26 onwards, until it was briefly mentioned in a WG update at the end of May 2024. The Minister then made reference to a new rent policy going forward in her consultation meeting with housing officials and confirmed that as more homes become more energy efficient (under the new WHQS 2023 legislation), this should be reflected in the rent. Wider consultation will be forthcoming as to what the new rent policy will look like but working groups have recently been set up to focus

on 1) Affordability, 2) Formula, 3) Target Rent Bands, 4) Tenant Engagement, 5) Compliance, Monitoring and Data Requirements, 6) Intermediate Rents and Shared Ownership. However, whilst this consultation is ongoing Welsh Government has announced that the current policy will be extended for 1 year into 2025/26 whilst they develop a new rent policy which will be committed to a more consistent approach. A formal consultation with stakeholders is planned for Summer 2025.

- 5.1.2 During 2021/2022 the target rent band was suspended as a consequence of the Covid-19 pandemic. Furthermore the “plus 1%” was removed for the 2022/23, 2023/24 and 2024/25 financial year as a reaction to the ongoing pressures during the Covid-19 pandemic and Brexit, which had seen inflation rise higher than expected and a cost of living crisis. For the 2023/24 rent increase there was a further intervention due to inflation being its highest for 40 years at 10.1%. The Welsh Ministers can determine the appropriate charge to the rent levels in that year if CPI falls outside of the range 0% and 3%. As the CPI determinant (September) for setting the policy is 1.7% this year. Then the existing rent policy applies, but it is worth noting that in the last 3 years, because that maximum rent policy has not been applied there has been a loss of potential rental income of some £6.6m
- 5.1.3 As a result of the housing benefit limitation scheme, rent increases above Department of Work and Pension (DWP) rent limits do not produce extra income from the benefits system, as any shortfall would be required to be met by the tenant. This would therefore be an added financial burden to some of our most vulnerable tenants. At this stage however, as in previous years, details regarding the DWP limit under the current rent policy are yet to be confirmed, but all the recommendations contained within this report are compliant with WG. Typically, the DWP limit rent is increased by the same uplift as the rent policy, therefore it is assumed that the DWP rent limits will increase by the same, meaning the rent increase recommended in this report will be covered by the same increase in Benefits. Approximately 77% of tenants are in receipt of financial support in the form of Housing Benefit or Universal Credit.
- 5.1.4 CCBC’s average rent is £106.44 (52-week basis - as at November 2024). Caerphilly Homes charges over a 48-week period as tenants have 4 non-chargeable weeks each year. The 48-week equivalent rent is therefore £115.31.
- 5.1.5 CCBC rent is currently one of the lowest rents across all the Welsh Local Housing Authorities (Data Stat Wales places CCBC 3rd lowest Local Authority for 2024/2025 rent) being 4.84% lower than the All Wales average for Local Housing Authorities. CCBC rent is also 6.7% below the All Wales average for all social landlords including Housing Associations. We estimate that our position for 2025/26 would remain in the lowest quartile.
- 5.1.6 The latest business plan submitted to Welsh Government in March 2024 (2024/25 plan) included a rent increase of 4% for 2025/26 (assuming CPI would fall from 6.7% to 3%), reducing to 3% from 2026/27 onwards (assuming CPI would be 2%). This was on the assumption that the Bank of England in 2024 expected inflation to fall towards its target of 2% by 2025, and the Business Plan therefore built in a steady reduction over the next few years.
- 5.1.7 The impact on the current business plan shows a reduction of income in 2025/26 of some £750k by applying 2.7% rent increase instead of 4%. However, there is an offset in terms of revenue costs as these were also assumed to be higher based on a

4% RPI inflation rate, when RPI is now forecasted to be around 3% for 2024. The net difference is a saving of £500k which would alleviate the borrowing requirement. Capital revenue would be assumed to have an inflation rate of 1% higher than the forecasted 3% due to uncertainty around material costs as noted in 2.14

- 5.1.8 More detailed costings will be analysed whilst preparing the 2025/26 Business Plan (due for submission to WG in March 2025). Other factors that will also need to be considered in the next plan include the bad debt provision if arrears are likely to increase due to Universal Credit migration and any movements on construction or material inflation prices, and any impacts on legislative changes. There is a likelihood that the new build programme could change as some schemes drop off and more schemes are added to the portfolio for investigation, and it has now been confirmed that the investment required to meet WHQS23 must be included in the business plan from 2025/26.
- 5.1.9 We need to strike an appropriate balance between our commitments to service delivery (including increasing housing supply), and to protecting tenants from large rent increases.
- 5.1.10 A rent freeze would protect tenants but would not be financially credible to the HRA.
- 5.1.11 For every 1% increase on our current rent this would be equivalent to approximately £1.06 a week additional rent charge
- 5.1.12 CCBC rent arrears for current tenants are just under 7% of its rent debit, (approx. £3.9m) compared to 4.9% last year, and is in the top quartile when compared to the other 10 LHA's. However, ranking is in the mid to lower quartile for the number of NOSP's (Notice of Seeking Possession orders) actioned against tenants, leading to no evictions in the past year due to affordability. Instead, focus is on more intense tenant support with the aim of supporting tenants to sustain their tenancies, rather than lose them. This is in line with the current rent policy and the cost of living is having a considerable impact. As the cost-of-living rises, more tenants are asking for support which as a consequence leads to an increase in arrears. This is not unique to Caerphilly Homes. Officers are in regular contact with other local housing authorities in Wales who are all experiencing the same issues.
- 5.1.13 The JRF Model was recently adopted into CCBC's rent policy, and the latest calculations (Office National Statistics (ONS) lowest quarter percentile weekly pay for 2024 provisional) show that even with a rent increase of 2.7%, all of our stocks rent is lower than the JRF model by an average of 17%. Caerphilly is ranked the 5th highest earner for the lowest quartile earners out of the 11 remaining Local Housing Authorities. The model therefore suggests that our rent is affordable
- 5.1.14 The loss of income by not applying the maximum rent increase freeze would be about £1.6m compounded each year. The challenges facing Housing have been recognised as a top priority within Government and the Council and it is imperative that Caerphilly Homes maximises income, not only to protect its services but to try and address the increased challenges such as building safety legislation, the volatile costs of materials and fuel, the demands for reaching net zero carbon, the commitment to build 1000 homes by 2033, together with the potential impact on arrears due to the rollout of Universal Credit. It is clear that the HRA depends on its annual rent increase to keep moving forward whilst sustaining vital services such as tenancy support and repairs and maintenance of homes.

- 5.1.15 The impact of lower increases ultimately means a reduction of services, reprioritising commitments, and increased borrowing.
- 5.1.16 The Minister has engaged with all parts of the sector to assist in her decision making, including tenant representative bodies, Registered Social Landlords (RSL's) and Local Authorities. Given the potential implications for tenants of any increase in rent levels, particularly self-payers, discussion have also focused on what support would be available to assist anyone who experiences financial hardship.
- 5.1.17 Under the 2023/24 Rent Policy, it was collectively agreed with Welsh Government that Councils and RSL's would make a voluntary commitment to demonstrate to the Minister, and tenants, that social landlords are dedicated to ensuring that tenants are effectively supported and protected through the cost of living crisis (along with the wider packages of support being implemented by Councils and partners), and would provide assurance to the Minister, which has been a material consideration in her deliberation and decision making around the rent settlement.
- 5.1.18 Caerphilly Homes along with all other social landlords in Wales have therefore voluntarily agreed there will be no evictions due to financial hardship for the term of the rent settlement from 2023-24, where tenants engage with their landlords, although Caerphilly Homes were already operating under this model prior to the Ministers request and continues to do so. The agreement is still required under the 2024/25 rent policy.
- 5.1.19 During this time social landlords will continue to provide targeted support to those experiencing financial hardship to access support available. Please refer to 5.3 for further details
- 5.1.20 Caerphilly Homes along with other social landlords across Wales have agreed to 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. Caerphilly Homes has also reiterated a continued commitment to invest in existing homes to keep them safe, warm, and affordable to live in.
- 5.1.21 Caerphilly Homes has restructured its rent team to offer a more balanced approach to rent collection and has reduced the tenancy support team to 8FTE increasing the income collection and support team to 6FTE. This structure will be kept under review.
- 5.1.22 Caerphilly Homes have also embraced the Transitional Accommodation Capital Programme (and the earlier Homelessness Phase 2 funding) which has been extremely successful with officers acquiring circa 42 properties with the majority ex-council, back into stock, together with returning to use 4 long term void flats, in addition to assisting the private sector in the provision of flats for affordable rent in previously empty properties. Officers continue to work with private sector landlords under Caerphilly Keys and the newly adopted Leasing Scheme Wales, aswell as considering building modular on council owned land and reviewing our ability to convert 'out-moded' sheltered stock where possible, to build new homes, more quickly.
- 5.1.23 There is a significant lack of suitable single person move on accommodation options in the borough which is significantly impacting on the ability to move single person

households out of transitional accommodation into more permanent homes. This coupled with the current state of the Private Rented Sector is a challenge for Caerphilly Homes at this time, whilst there is a very clear and determined new build plan, RSLs need to work in partnership with Caerphilly Homes to build the accommodation needed to meet this demand.

- 5.1.24 The voluntary agreement of all social landlords in Wales also committed to continue and enhance existing engagement with tenants in rent-setting decisions, including explaining how income from rent is invested and spent. Working in partnership with tenants, Welsh Government, funders and other partners Caerphilly Homes will contribute to develop a consistent approach to assessing affordability across the social housing sector in Wales.
- 5.1.25 Caerphilly Homes and other social landlords across Wales will also be required to evidence an annual assessment of affordability for tenants and to demonstrate their homes and services represent value for money as part of their decision on the rent uplift to be applied each year. Each landlord must complete a self-certification monitoring form which will be used to monitor compliance with the WG rent standard.
- 5.1.26 Caerphilly Homes support consistent messaging, and we do this direct to all tenants in updates and surveys
- 5.1.27 in 2021 Caerphilly Homes carried out tenant focus groups and received a clear request from tenants to show how all the rent is being spent across the relevant housing services. We are committed to providing this to all our contract holders every year.
- 5.1.28 Caerphilly Council would welcome a consistent approach to an affordability model. In fact, Caerphilly Homes engaged with WG colleagues when reviewing the 2023/24 rent policy to consider what existing affordability benchmarks were available. Through the research and discussion with officials it appeared that the Joseph Rowntree Foundation (JRF) Living Rent model (benchmarking rent not being any higher than 28% of household income) to be a good affordability model. Based on the latest available information from the Office of National Statistics data, against the JRF model, Caerphilly Homes rents are shown as favourable. With the latest calculations showing 100% of our stock is lower than the JRF model by an average of 17% (if 2.7% rent increase is applied). However, any increase higher than 2.7% would contravene the rent policy.
- 5.1.29 The borrowing cap was agreed by Council at £100m in May 2023. This would need to be significantly increased over the business plan period. Members were informed this may be the case as we moved forward with the new build agenda, but as reported in the 2024/2025 Business Plan report (Cabinet 3/4/24) the business plan only showed assurances over the next 2 years. Until we get clarity on the WHQS 2023 position (including confirmation of funding) and what the new rent policy will look like, anything beyond this period is circumstantial and is expected to change.
- 5.1.30 Members must also consider the pressure Local Housing Authorities are facing from Welsh Government on increasing housing supply and ensuring we meet the decarbonisation agenda, both of which require significant investment. This directly links with the Council's commitment contained within the Corporate Plan 2023-2028 and Wellbeing Objective 2 which will enable our residents to thrive by building new Council houses, providing more affordable homes and reducing homelessness,

together with Wellbeing Objective 5 which will enable our environment to be greener by meeting zero carbon targets not only on new council houses but on the existing 10,600 council homes already in Caerphilly CBC's portfolio.

- 5.1.31 Additional borrowing as a consequence of income shortfalls must be affordable under the Prudential Code. It also means an increase in debt and interest charges which takes resources away from the HRA to manage and maintain our housing stock and support our tenants.
- 5.1.32 In addition, affordability for tenants is now a factor that must be considered as part of setting any rent increases. This involves engaging with tenants to capture relevant data and views and establishing a suitable model that would evidence affordability together with a system for accurately recording such information. "Your rent your views" surveys have been available to tenants each year since 2020.
- 5.1.33 Over the last ten years the average rent increase for Caerphilly Homes is 3.6%

5.2 Affordability and Contract Holder Surveys

- 5.2.1 Officers have continued to work on developing the affordability survey and have met colleagues in Welsh Government and other local authorities with the aim of sharing best practice. The feedback from Welsh Government on previous year's rent setting processes across the sector gave us more of an understanding as to what Welsh Government were expecting in order to evidence affordability. For example, landlords automatically received a favourable score if they used the Joseph Rowntree Foundation (JRF) Living Rent model or an equivalent affordability tool. As referenced in 5.1.13 the JRF Affordability model was agreed by Cabinet on the 13th July 2022 to be included as part of Caerphilly Homes existing rent policy. As part of developing the new rent policy, Welsh Government have set up an Affordability workshop with the aim to develop a consistent approach to assessing affordability for Contract Holders and financial sustainability for social landlords.
- 5.2.2 Other areas of good practice included a wide range of tenant consultation platforms and appropriate feedback, working in collaboration with tenants to set rents. The authority has been limited to certain media platforms due to GDPR concerns, which has restricted ability to reach all tenants. However, as in the previous two years, officers have developed a full consultation process including an online "your rent, your view" survey during September 2024, together with two face to face focus groups, one online discussion, and an opportunity to discuss the rent setting process in person at the Tenant Information Exchange. Staff and Councillors were also emailed prior to the survey going live. Details about the survey was sent to all households with the option to complete online using a link or a QR code and was held open for a month. Tenants could also ask for a paper copy or be assisted to complete over the telephone via a dedicated helpline if they weren't digitally engaged, but there were only 22 paper requests, of which 14 were returned, and 6 surveys were completed over the phone. The survey was posted on Facebook and Twitter and was also available on the Council's website via Corporate Caerphilly Conversation page. EGov bulletins were sent to those tenants who have subscribed with the link. Engaged community groups and tenants were also contacted, and front-line officers dealing with contract holders during the survey period encouraged take up of the survey. There were periodic reminders over the term of the survey.

27 th August	Email to all Councillors
28 th August	Email to all staff
w/c 2 nd September	Newsletter landed with tenants
2-3 rd September	Press release 1 – issued to press and uploaded to CCBC website Social media post 1 – shared on CCBC and CH channels
6 th September	Ebulletin via GovDelivery sent to 5567 email address (Caerphilly Homes news subscribers)
11 th September	Social media post 2 – reminder 1 shared on CH channels
17 th September	Press release 2 – issued to press, uploaded to CCBC website and shared on CCBC and CH social media channels
25 th September	Social media post 3 (Scheduled)
27 th September	Ebulletin via GovDelivery (“Last chance to have your say”) Circulated to tenant involvement list of 1,725 subscribers)

- 5.2.3 Overall, there were 331 tenant responses to the survey with a mix of areas being represented. This was a 25% increase from the year before but still only represents about 3% of tenants despite the efforts to engage.
- 5.2.4 39% of the tenants were represented from the East of the Borough, 27% from the South and 31% from the North (3% not stated).
- 5.2.5 The majority of responses were from tenants in the age group 50-65 and 66+ (31% both categories) followed by the age group 26-39 (20%), age group 40-49 (16%), and ages 16-25 (1%) but all ages were represented, with the main source of income being from employment in full or part time work (32%) followed by sickness, disability or unemployment benefits (32%), and pension (31%).
- 5.2.6 57% of the respondents received some form of benefit support towards paying their rent. 39% of respondents received no support and 3% preferred not to say.
- 5.2.7 58% of responding tenants think our rents are fair and affordable (compared to 63% last year) and 28% do not (compared to 37% last year). 14% preferred not to say. Mixed responses vary from “Its only affordable because I have Housing Benefit”, “Because its cheaper than private renting and more secure”, “At least £200 less than the average cost of private rentals and lower than most nearby counties” to “Because we are pensioners with a small amount of savings we can’t get any help with rent or council tax”, “I am only working to pay my rent, I cant afford to do anything else” and “Single parent and cost of living trying to work with a disability, full rent is expensive”.
- 5.2.8 When asked how concerned tenants would be about being able to afford their rent if there was an increase in April 2025, 51% of tenants were extremely or very concerned, compared to 62% last year
- 5.2.9 32% of tenants said the cost of living had affected them a lot in the last 12 months where they have struggled to pay bills, compared to 46% last year, and 40% said it

had affected them quite a bit where they had to make a few changes and sacrifices, compared to 42% last year, 22% said it had affected them a little, but it is manageable, compared to 9% last year. 2% said it wouldn't affect them at all and 4% preferred not to say. When asked to prioritise the most expensive service that tenants had struggled to afford over the last 12 months the outcome was as follows:

Food
Gas
Electric
Water
Council Tax
Rent
Car Running Costs
Clothing
Broadband/Data
Socialising
School Costs
Telephones/Mobile
Entertainment
Public Transport
White Goods

5.2.10 Tenants listed the 3 most important services as being:

- Day to day repairs
- Tenancy support/cost of living/welfare benefits support
- Fitting homes with new kitchens/bathrooms etc

5.2.11 Additional comments tenants expressed at the end of the survey included: -

- I feel those who work full time and paying full rent, are paying for those who are on benefits. We don't get help, we look after and take pride in our home, yet we don't see the benefit in the amount of rent we pay.
- I find the service provided to be exemplary. Repairs are done quickly and the staff at the offices are very nice, polite and caring.
- I find it very difficult to get repairs done, also to receive any communication from housing officer,
- On the whole satisfied however windows need replacing, draughts and leaks.
- We love living where we are
- Would appreciate if you consider single people living in the area who are not entitled to single persons discount.
- I am thankful to my housing rent officer who I have contacted recently due to transitioning from tax credits at a loss of £600 per month to universal credit..
- I think Caerphilly Homes should think more about making homes more affordable and economical for people who are on low incomes etc

- Happy so far, moved from Newport to Crosskeys, so far lovely, top floor, find steps hard, no lifts because these flats built in 1970 but lovely flat inside

- 5.2.12 Any tenant who expressed difficulties with paying their rent within the survey comments, will be contacted and offered support by the Tenancy Support Team.
- 5.2.13 As part of our annual consultation on rent and affordability the Tenant Participation team together with Housing Rent and Housing Finance facilitated 4 discussion sessions with tenants. These sessions enabled officers to delve further into what tenants think about rent charges and affordability. It also provided an opportunity to share with tenants how we spend tenants rent money, the priorities of Caerphilly Homes, the current economic climate, and also raising awareness about the advice and support that is available to tenants if they need it. This year it was also decided to hold a specific session for those tenants who regularly engage with Caerphilly Homes. As a result, a special Tenant Information Exchange -Have Your Say session was arranged
- 5.2.14 32 tenants participated in the focus groups and tenant exchange. Participants in the focus groups were not tenants who regularly engage with Caerphilly Homes. When asked about a potential rent increase 10 of the group gave a positive response, 12 wasn't sure and 10 gave a negative response. Tenants understood the reasoning for applying a rent increase and the impact on the housing service by not applying a rent increase, albeit they wanted the increase to be as low as possible. Comments included, "Caerphilly Homes is a good landlord compared to others" and "Home is worth the rent", also "Already pay enough rent" and "Work is needed to homes". Those who were unsure commented that "savings will be affected", "Concern wages will not increase in line with possible rent increase".
- 5.2.15 Generally, between the groups, food prices have been a concern in the last 12 months, along with heating and lighting, and changes in personal circumstances. Many participants referred to having to be more careful and spending less together with an impact on social activities and changing shopping habits. 28 of the group said their rent was affordable at the moment and 3 said it wasn't. Comments included "private renting is more expensive!", "Housing benefit helps to cover the rent", "No housing benefit support, pay full rent" and "bedroom tax"
- 5.2.16 Information from the discussion sessions and the survey will be used to update Welsh Government in relation to our Assurance Assessment Return for 2024. Feedback received will also enable Caerphilly Homes to better understand our tenants needs and improve our services.
- 5.2.17 The survey overall gave us a mixed response, and there are clearly some responses that will be followed up, but it does suggest a higher proportion of our tenants agree that their rent is affordable.
- 5.2.18 Caerphilly CBC has one of the lowest rents across the Welsh social housing sector (Data Stat Wales places CCBC 3rd lowest Local Authority for 2024/2025 rent) and is 6.7% below the all-Wales average for all social landlords including housing associations. For local housing authorities Caerphilly CBC is 4.84% lower than that all-Wales average.

5.2.19 Data Stat Wales latest publication for Private rents in Caerphilly CBC only go as far as 2019/20. Officers have therefore used a well-known estate agent and compared private rents on average throughout the borough against Caerphilly Homes average rent (including the maximum 2.7% rent increase) for the same property type. The comparisons are shown below.

		52 week charge	
		Private	CCBC
House	2 bed	182.88	109.13
House	3 bed	204.23	117.31
Flat	1 bed	164.62	92.39
Flat	2 bed	175.15	100.40

5.2.20 The Office of National Statistics earnings data (2022) ranks Caerphilly CBC 5th highest out of the 11 Local Housing Authorities in terms of workplace earnings gross weekly pay (at the lower quartile), which is 4.76% above the All-Wales Average for the LHA's. The Living Wage has also been confirmed to be increased by 6.7% in April 2025, and the State Pension will increase by 4.1% in April 2025.

5.2.21 The results of the 2023 STAR survey to tenants, on their satisfaction with the housing service, confirmed 76% were satisfied overall with the service provided by Caerphilly Homes, and 76% were satisfied that their rent provides value for money.

5.2.22 These statistics together with the tenant's affordability survey suggest that the rent is affordable. However, Welsh Government require us to prove this in terms of measuring our current rent against an appropriate affordability model, which will be the JRF model. The JRF affordability model currently shows Caerphilly Homes is affordable with a 2.7% increase.

5.3 Tenancy Support

5.3.1 As a result of the Affordable Housing Supply review in April 2019, The Minister for Climate Change set out some jointly agreed initiatives between WG and all social landlords in Wales. One of those initiatives was to strengthen the approach designed to ensure social landlords minimise all evictions. This was reinforced in the five-year WG Rent and Service Charge Standard 2020-2025, and was a process that Caerphilly Homes was already starting to embed by increasing its support services. As part of the annual statement for the 2023/2024 rent review, WG considered the wider factors such as the cost of living and its impact on tenants and subsequently pursued a voluntary agreement from Local Housing Authorities and Registered Social Landlords to ensure tenants are supported through the cost of living crisis. This included

- No evictions due to financial hardship, where tenants engage with their landlord.

5.3.2 The principal objective of Caerphilly Homes is the management and sustainment of tenancies and therefore fully embraced the WG agreement. Caerphilly Homes has one of the lowest number of evictions for rent arrears of any local authority landlord in Wales. Eviction is always a last resort, and all efforts are made to encourage engagement and arrangement of an affordable payment plan

5.3.3 Currently, all new Contract Holders/Tenants receive an appointment with a tenancy support officer at sign up for income maximisation advice and assistance and referrals are offered when people have fallen behind with their rent these staff monitor low level arrears and offer support to try to prevent escalation. Assistance can also be provided at short notice, helping to address crisis situations, and assisting households to sustain their contracts. Very significant sums of additional income for our contract holder have been generated in recent years through the work of this team as shown in the table below:-

YEAR	AMOUNT OF ADDITIONAL ANNUAL INCOME GENERATED
21/22	£3.2m
22/23	£3.0m
23/24	£3.5m
TOTAL	£9.7m

The number of tenants claiming housing benefit or universal credit housing costs to help pay their rent has increased from 72% to 77% since December 2020.

5.3.4 In addition to this over the last 2 years:

- 6700 tenants have been provided with advice and support.
- 1338 successful applications for Discretionary Housing Payments (DHP's).
- 606 referrals to Citizen Advice Bureau for formal debt and money advice.
- Working in partnership with Citizens Advice Caerphilly, energy advice and emergency top up vouchers provided to 796 contract holders,
- Arranged 790 food parcels.
- No evictions as a result of affordability issues.

5.3.5 Welfare Reform changes have already had a profound negative effect on social housing contract holders. The accelerated roll out of Universal credit has had significant and multifaceted impact on them, particularly those who are already vulnerable.

5.3.6 The mismatch between Universal Credit and Housing Benefit cycles presented significant challenges. Universal credit is paid only over 52 weeks, but housing benefit is paid over 53 weeks in a year that has 53 weeks (generally every 5-6 years). Universal credit recipients will not receive a payment in week 53 but will still owe a week's rent. In October 2024 Cabinet agreed to establish a hardship fund to address the week 53 shortfall for Universal Credit recipients who are contract holders of Caerphilly Homes.

5.3.7 When asked in the most recent Your Rent Your View Survey to list the 3 most important services, Tenancy Support was the second priority service chosen by tenants. This support is integral to the Rents Team and will continue to be offered to all tenants.

5.3.8 In addition to the direct support offered to tenants by the Rents Team and via Caerphilly Cares, there is a cost-of-living workstream set up by the Affordable Homes Partnership of which Caerphilly Homes is a member. The aim is to set up consistent support to tenants by researching good practice throughout the sector. The Councils Local Housing Strategy delivery plan also includes creating a cost-of-living support package which ties in with the Affordable Homes Partnership

objectives. The HRA will contribute towards this using the earmarked balances specifically set up to support tenants.

5.4 Garage Charges

- 5.4.1 The garage rationalisation and refurbishment programme, linked to the WHQS programme has led to a reduction in our garage stock but has resulted in improvements to our remaining stock. This work had a significant impact on void levels as the blocks of garages had to be fully vacated prior to commencement of works on each site. On completion of works to each block, former garage tenants and former leaseholders of garage plots have been offered new tenancies of the newly built or refurbished garages, prior to new tenants being sought for the remainder from existing waiting lists or through marketing. In addition, a number of garages have been demolished due to unsuitability and lack of demand. Caerphilly Homes currently own 877 garages of which 150 (17%) are let to council tenants and 479 (55%) are let to private residents. The remaining 248 (28%) are void.
- 5.4.2 Currently our garage charge is £9.44 per week creating a potential £0.430m income stream but only 17% of garage tenants are council tenants. This is an issue that we need to review. The 2024/25 business plan assumed a 4% increase for the 2025/26 financial year, which was in line with the rent policy CPI plus 1% forecasted at that time. For the 17% who are council tenants a 2.7% increase would equate to £9.69 per week (an additional 25p per week) and for the non-council tenants this would equate to £11.63 which includes VAT. Total income stream if all let would be £0.442m.

Tenants in receipt of benefit

- 5.4.3 Garage rents are not eligible for housing benefit and the majority of garage tenants are not actually council house tenants.

Financial impact

- 5.4.4 The Business Plan has included a 4% increase on garage rental income. The reduction of income due to the recommended increase being less than the business plan is approximately £5.5k.

6. ASSUMPTIONS

- 6.1 Assumptions are prevalent within the Housing Business Plan and are necessary to create a 30-year projection as requested by Welsh Government. Assumptions are included on key drivers such as (i) Interest rates (ii) Inflation (iii) Rental Increases (iv) Staffing levels (v) stock movement (vi) capital programme expenditure (vi) level of rent arrears, and (vii) level of voids and are taken from projections, local knowledge and Welsh Government guidance.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 Section 24 of the Housing Act 1985 provides Local Housing Authorities (LHA's) with the power to set rents for its properties relating to Part II of said Act. A LHA is under a duty to act reasonably by determining rent levels. When setting rents under this section, a LHA must comply with any standards relating to rent set by the Welsh

Ministers under section 111 of the Housing (Wales) Act 2014 and must also have regard to guidance issue under section 112 of the 2014 Act. Section 74 of the Local Government and Housing Act 1989 requires a LHA to keep and maintain a HRA ring-fenced account which ensures that the income raised from operating council housing is spend on council housing, and that neither the HRA nor General Fund are cross subsidised. Section 76 of the Local Government and Housing Act 1989 requires that the HRA cannot be set into a deficit.

- 7.2 An increase in rents is required in order not to set a deficit budget within the HRA. The additional income is utilised on maintaining or improving existing services as well as creating financial resource to be able to meet WG agendas and challenges such as minimising evictions, not to evict into homelessness, deliver high quality homes, evidencing affordability and value for money, maintaining WHQS, installing Optimised Retrofit Programmes on existing stock, and enhancing tenant involvement.
- 7.3 58% of tenants who were surveyed on “Your rent your view” survey confirmed that their rents were deemed fair and affordable. 76% of tenants who were surveyed on the latest STAR survey also thought their rents provided value for money and 76% were satisfied with the services provided. As part of the rent setting process, tenants were also involved in focus groups.
- 7.4 The latest statistics from Data Stat Wales ranks Caerphilly CBC in the lowest quartile in terms of Local Authority rent (9th out of 11 LHA’s) and 6.7% below the Wales average, also 5th highest in terms of workplace earnings (lower quartile). 77% of Caerphilly CBC tenants are in receipt of financial support for their rent in the form of Housing Benefit or Universal Credit. Tenancy support is offered to all tenants.
- 7.5 The proposed increase is set as per the rent policy determined by Welsh Government and is in line with the current inflation rate. The Living Wage and State Pension uplift from April 2025 has been confirmed at 6.7% and 4.1% respectively, both higher than the recommended rent increase.
- 7.6 [Link to the Integrated Impact Assessment](#)

8. FINANCIAL IMPLICATIONS

- 8.1 This report deals with the financial implications of the proposed rent increases which affect the HRA.
- 8.2 The impact of the Welfare Reform Act is not taken into consideration

9. PERSONNEL IMPLICATIONS

- 9.1 The proposals contained in this report will not alter the current arrangements for the collection of housing revenue account monies.

10. CONSULTATIONS

- 10.1 All comments received from the consultees listed below have been noted and, where

appropriate, incorporated within the report.

- 10.2 The report was presented to the Housing and Environment Scrutiny Committee on the 10th December 2024; due to the short timeframe between these meetings Officers will give a verbal update on any comments or recommendations from Scrutiny.

11. STATUTORY POWER

- 11.1 Local Government Acts 1972. This is a Cabinet function.

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Background Papers: N/A