

Appendix 3

Housing Rent Setting 2021/2022

Efficiency, Value for Money and Affordability.

From this year, as part of the annual Rent Increase process, Welsh Government has required landlords to consider an “assessment of cost efficiencies across the operating cost base, value for money and affordability for tenants”.

We have gathered existing data that we use to monitor these areas and this includes the use of the HOUSEMARK specialist housing benchmarking tool which we have used for a number of years and which is now the suggested tool for all social landlords in Wales as part of the new assessments.

This report outlines our approach to these three requirements.

1) Cost Efficiencies.

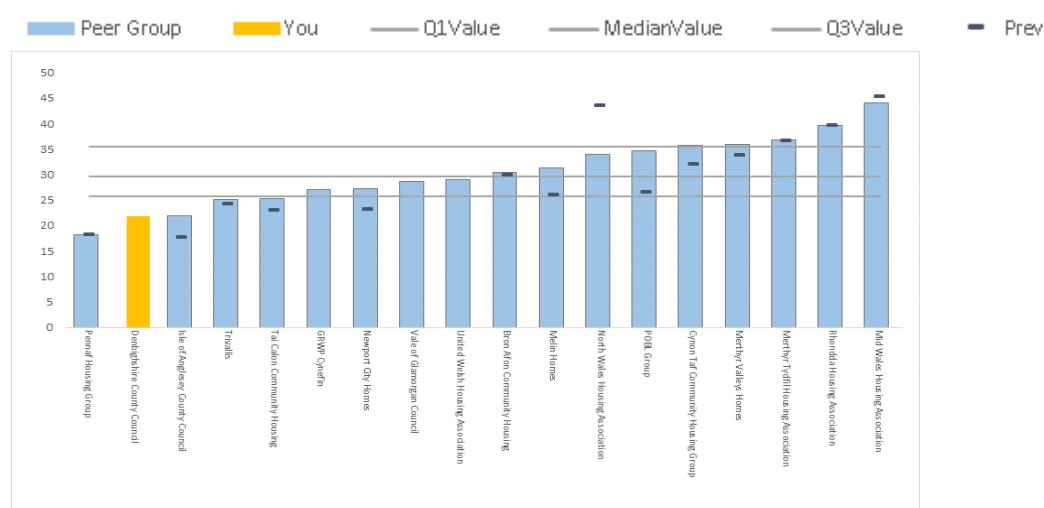
We know that we have invested in our housing stock as we achieved the Welsh Housing Quality Standard (WHQS) in 2014 and have invested since to ensure we can continue to maintain these standards. In addition we have taken a proactive approach to improving our re-let standards and have invested heavily to ensure our new tenants are able to move into and settle in a high quality home. We take the opportunity to refurbish our homes when they are empty to also deal with asbestos and general maintenance not specific to WHQS, such as plastering, given the age of some of our stock. In order to invest this level of sums through our revenue and capital streams it is vital that we manage our resources efficiently.

The graphs below are taken from data provided by HOUSEMARK and shows our costs are low compared to comparable landlords but our cash investment in our assets is high.

Overheads

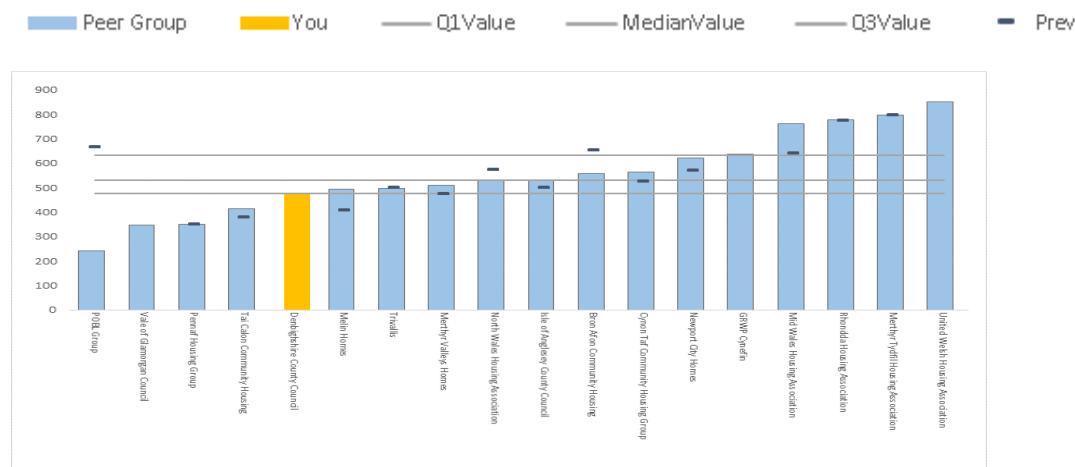
The first graph shows overheads as a percentage of our revenue costs and shows that our operating costs are amongst the lowest of comparable landlords in terms of how we compare with our benchmark group on efficiency.

Overheads as percentage of direct revenue costs



The graph below shows the costs of our housing management services, such as Income and Neighbourhood Management, per property compared to comparable landlords in Wales.

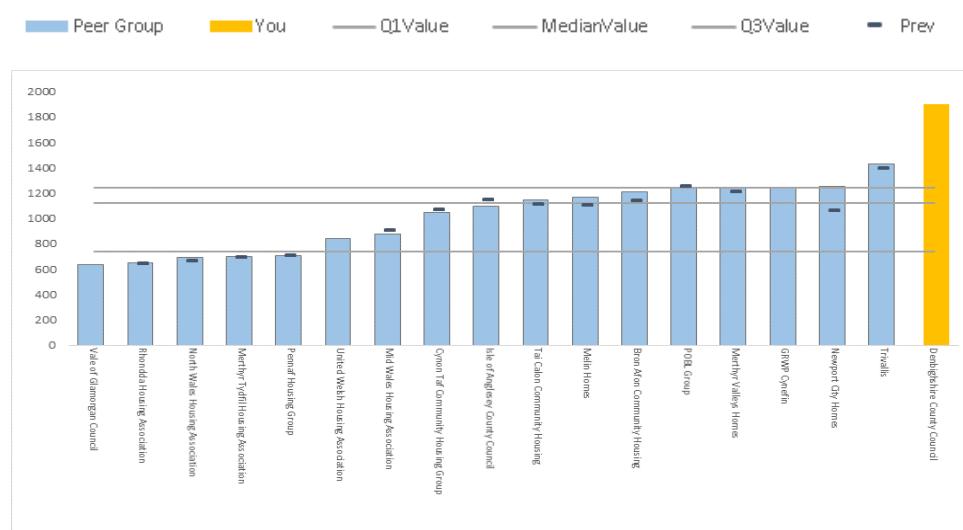
Total cost per property: housing management



Investment

This graph shows the cost of our investment in our homes and shows we are the most expensive which specifically reflects our commitment to expenditure on empty homes. It is worth noting that we will tend to have older stock than Registered Social Landlords.

Total cost per property: responsive repairs and void works



The table below summarises areas where we have improved our cost or efficiency of the service.

Efficiencies table

Action	Description	Cost	Efficiency	Cash Savings
Housing Restructure	In 2019 we improved the efficiency of the housing service	Neutral	More Housing Officers for the same cost	Nil

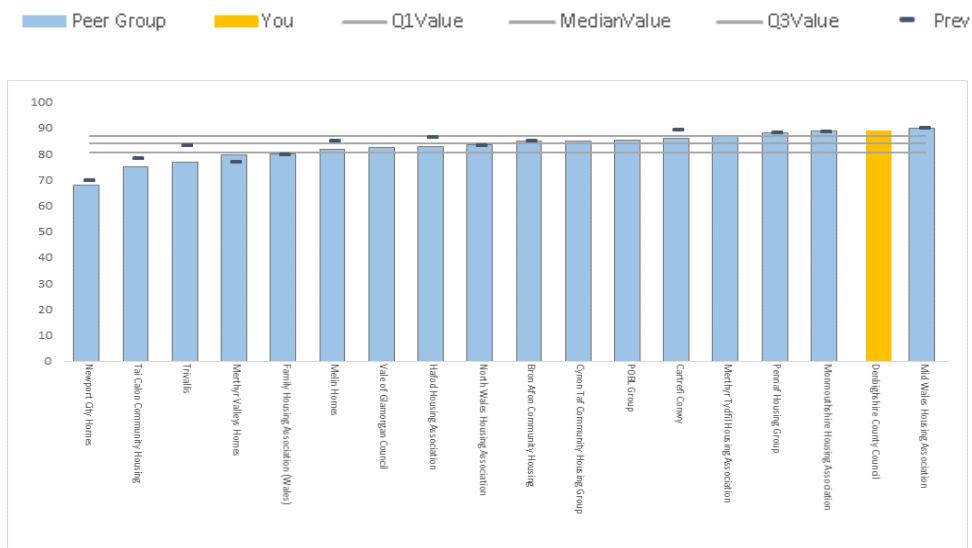
	by removing different tiers of roles.		Reduced duplication Reduced patch sizes	
Income Management	We introduced predictive analytics software to target rent arrears work.	£40k	This has reduced our rent arrears by c. £50k and saved 0.9 FTE staff time which is reinvested in additional time to support tenants.	NIL (additional cost is equivalent to efficiency but service improved)
Improved efficiency of workflow to DLO	To support existing overheads and reduce external costs	NIL	Budgeted income for 2020/21 from the DLO has increased by £460k	NIL
Maximise grant funding for new build programme	New external funding gained for the first time (SHG, IHG, AHG, TRI)	NIL	New funding gained for new build programme	£3.8m in new funding
New funding gained for asset capital programmes	To support work to reduce carbon of stock	NIL	Optimised Retrofit Programme funding	£820k of new funding
Income stream from OFGEM	Income from renewable energy production	NIL	Savings for tenants energy bills and income	£48k
Voids framework	Procurement of framework to improve efficiency of distribution of void works to contractors	NIL	Reduced officer time when procuring major voids works	NIL

2) Value For Money

Our principle measure of Value for Money is feedback from customers, obtained through our bi-annual STAR survey of all tenant households. These graphs use January 2019 Survey data. The next data set used will be later in 2021.

The graph below shows our Value for Money score at 89% as being amongst the highest in Wales.

Satisfaction that rent provides VFM



3) Affordability

The question of the affordability of our weekly rents is more difficult to analyse as much depends on the individual circumstances of every individual household. We apply the principle that a CPI increase plus 1% every year ensures we can continue to meet costs in managing and maintaining our £300m plus worth of assets. We know costs will rise and our income needs to keep pace over the course of our business plan but also fully appreciate that household incomes, salaries and welfare benefits may not increase.

Failure to increase rent by inflation means that the impact of even a one year stagnant income is experienced for every year of our business plan afterwards as we cannot retrospectively increase to make up the difference or add an additional percentage in a future year.

Communication with Tenants

We have spoken to Denbighshire Tenants and Residents Federation (DTARF) about the increase and they understand the need for an inflationary increase and acknowledge that we provide a supportive approach to income management for our households.

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 -

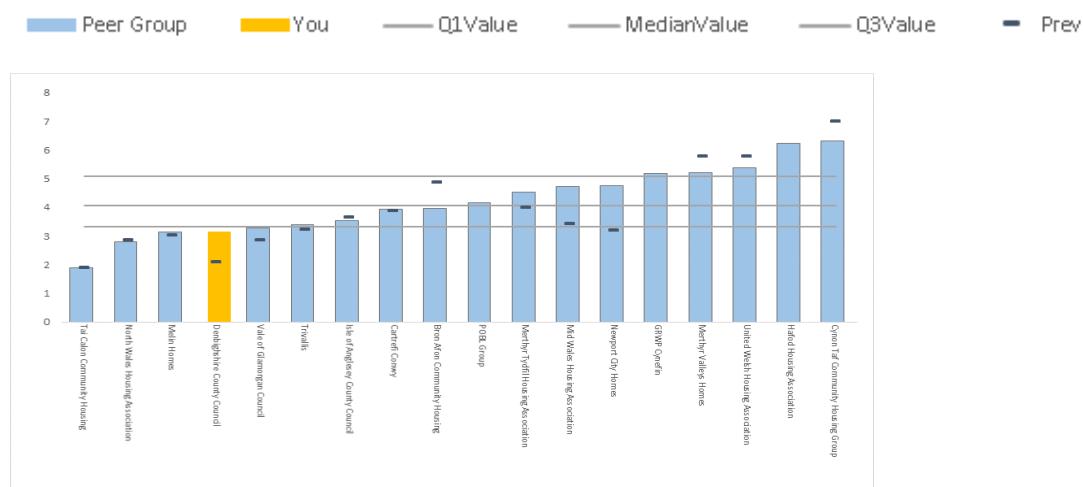
- How the average weekly rent is spent with a breakdown of our management, maintenance and finance costs.
- A breakdown of planned Income and expenditure
- Our average weekly rent compared to other North Wales Social Landlords.

The third point above, which compares our average weekly rent with other social landlords in North Wales is important as social rents can reasonably be expected to be the lowest rent levels in the housing market. Therefore affordability should be less of an issue compared to other sectors, such as the private rented sector, however we know that it is also likely that the poorest households will live in social housing.

It is important that we recognise that every household is individual and have to live according to their means. The welfare benefit system is in place to provide financial support to low income families including with housing costs. Our Income Management service has been successful in managing low rent arrears levels compared to the sector and very low number of evictions.

The graph below from HOUSEMARK shows our comparable low level of arrears.

Total tenant arrears as % rent due (excluding voids)



Advice & Support to promote Affordability

We offer as much advice and support as we can for households with affordable repayment terms should families fall into arrears, offer budgeting advice and make appropriate referrals for specialist support.

In addition to the Council's contract for Welfare Rights advice with Citizens Advice Denbighshire (CAD) we have entered into an additional project, **Key To Advice**, which enables the housing team to benefit from a specific worker from CAD, partly based within the team, to provide support to tenants. In addition there is a focus on fuel poverty to assist our tenants with their fuel bills and tariffs. In addition, CAD support workshops and events held in our neighbourhoods.

Highlights of April to September 2020 of the Key to Advice project

- 374 tenants supported
- £1.036m annual income gains
- Advice on £1.160m debt
- 27 tenants removed from fuel poverty

Impact Assessment

We complete a well-being impact assessment annually with tenant representatives to consider the balance of an inflationary rent increase alongside the benefits this can have for the whole group of tenants through investment in the quality of homes, improving the energy efficiency of homes and services and projects to support families. The positive aspects of the assessment conclude that we need to maintain a pace with inflation and rising costs in order to be able to maintain the level of investment for all our households.

We also employ a Financial & Digital Inclusion Coordinator to deliver projects, workshops and initiatives to promote financial inclusion and raise awareness of money issues.

Conclusion

This report outlines that Denbighshire Housing is able to demonstrate efficiency when managing and maintaining our housing assets, that our tenants believe that we offer value for money and that we provide homes that are affordable for households in the county.