

Appendix 3 - Housing Rent Setting 2023/2024

Report: Efficiency, Value for Money and Affordability.

Introduction

As part of the annual rent setting process, Welsh Government has required social 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. This includes the use of the HOUSEMARK specialist housing benchmarking tool. The full report is available on request.

This report outlines our approach to these three requirements.

Affordability

This year for this first time we have adopted the Joseph Rowntree Foundation (JRF) Living Rent Model to enable us to assess our rent levels in relation to household income in the county.

This uses the Office for National Statistics (ONS) data on income in the county.

We have used the 30th percentile of the average income to reflect the lower third level of the average income. We have compared our weekly rents and set a target to be within 28% of the average weekly income as adopted by the Living Rent Model.

This means a person within the lowest third of the average income would have a weekly rent of no more than 28% of this income.

Denbighshire 2022 All			30Pctl
ONS ASHE	Gross Oct All 2022		£325.10
Less Tax & NI			£297.00
		28%	£83.16

All our rents are within these boundaries which allows us to conclude that our rents are affordable when considered as part of a nationally recognised calculation.

We have modelled the full 6.5% increase allowed by WG and in addition the 5% recommended in this report.

Uplift Options							Plus 5%	Plus 6.5%	
	Current						weekly	weekly	
	Bedroom		Bedsit Base	30 Pctl	Target			Diff v 30 Pctl	Diff v 30 Pctl
Property Type	Number	Adj Factor	Rev Adj Factor	Living Rent	Rent	5%	6.50%	(loss)	(loss)
BEDS	Bedsit	1	1	£83.16	72.81	£76.45	£77.54	-£6.71	-£5.62
BUNG	1 bed	1.2	1.2	£99.79	90.54	£95.07	£96.43	-£4.73	-£3.37
BUNG	2 bed	1.4	1.4	£116.42	100.59	£105.62	£107.13	-£10.80	-£9.30
BUNG	3 bed	1.5	1.5	£124.74	110.66	£116.19	£117.85	-£8.55	-£6.89
BUNG	4 bed	1.6	1.6	£133.06	120.72	£126.76	£128.57	-£6.30	-£4.49
FLAT	1 bed	1.1	1.1	£91.48	81.91	£86.01	£87.23	-£5.47	-£4.24
FLAT	2 bed	1.3	1.3	£108.11	91.02	£95.57	£96.94	-£12.54	-£11.17
FLAT	3 bed	1.4	1.4	£116.42	100.12	£105.13	£106.63	-£11.30	-£9.80
HOUSE	1 bed	1.2	1.2	£99.79	90.54	£95.07	£96.43	-£4.73	-£3.37
HOUSE	2 bed	1.4	1.4	£116.42	100.59	£105.62	£107.13	-£10.80	-£9.30
HOUSE	3 bed	1.5	1.5	£124.74	110.66	£116.19	£117.85	-£8.55	-£6.89
HOUSE	4 bed	1.6	1.6	£133.06	120.72	£126.76	£128.57	-£6.30	-£4.49
HOUSE	5 bed	1.7	1.7	£141.37	130.77	£137.31	£139.27	-£4.06	-£2.10
HOUSE	6 bed	1.8	1.8	£149.69	130.77	£137.31	£139.27	-£12.38	-£10.42
MAIS	1 bed	1.15	1.15	£95.63	81.91	£86.01	£87.23	-£9.63	-£8.40
MAIS	2 bed	1.35	1.35	£112.27	91.02	£95.57	£96.94	-£16.70	-£15.33
MAIS	3 bed	1.45	1.45	£120.58	100.12	£105.13	£106.63	-£15.46	-£13.95

The baseline for our weekly rents have historically been using social rent “target rent” levels. These are set by Welsh Government (WG) based on a number of factors similar to the living rent model but use other social and housing market factors to determine target rents for social landlords.

These levels have not been released by WG since Covid but we continue to base our rents on this level by applying the same annual percentage increase to these baseline figures, as set for all our rents.

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.

We continue offer a range of support for households who are required to pay a partial or full amount of their weekly rent from earned income.

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.

Key To Advice Project with Citizens Advice Denbighshire

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 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 2022 to November 2022 of the Key to Advice project are:

- 400 tenants supported
- £1,404,037 annual income gains
- Advice on £1,186,028 debt
- 139 tenants removed from income poverty

Working Denbighshire

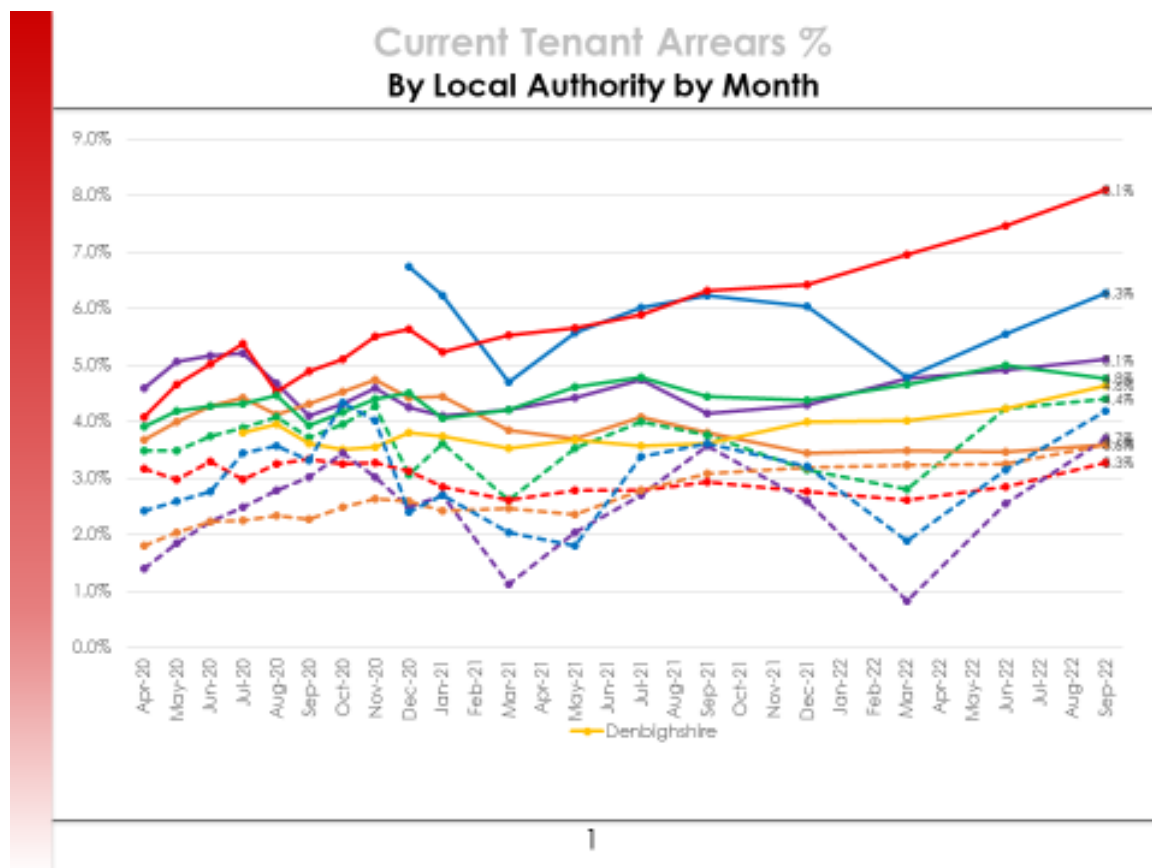
We also have a dedicated Housing Employment Mentor in partnership with Working Denbighshire. This focuses on working closely with tenants to enable them to be employment ready, provide access to job searches and provide work placements and training opportunities.

- 63 council tenants have been referred for advice
- 15 employment outcomes
- 11 qualification outcomes

Rent Arrears

We closely monitor all households rent accounts and offer comprehensive advice and support.

The graph below shows that our current rent income owed of 4.6% (of total annual rent income) is also the Wales average for Local Authorities (4.6%).



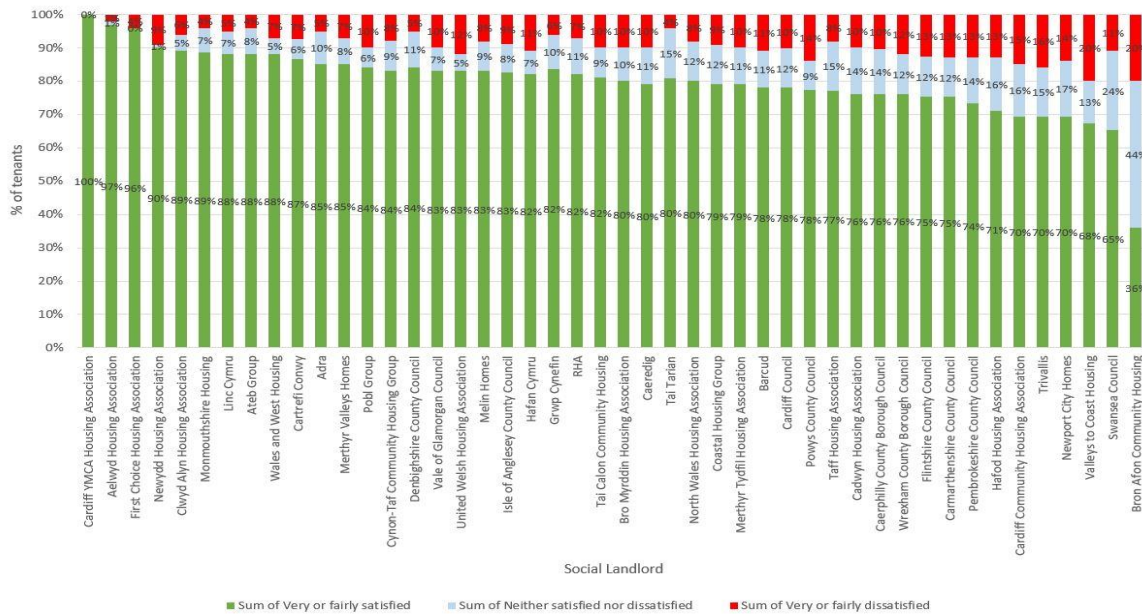
Communication with Tenants

- 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.
- A breakdown of planned Income and expenditure
- Our average weekly rent compared to other North Wales Social Landlords.

Value For Money

Other than the detailed comparison of our costs with other similar landlords 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 15th out of 46 Landlords in Wales.



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 pace with inflation and rising costs in order to be able to maintain the level of investment for all our households.

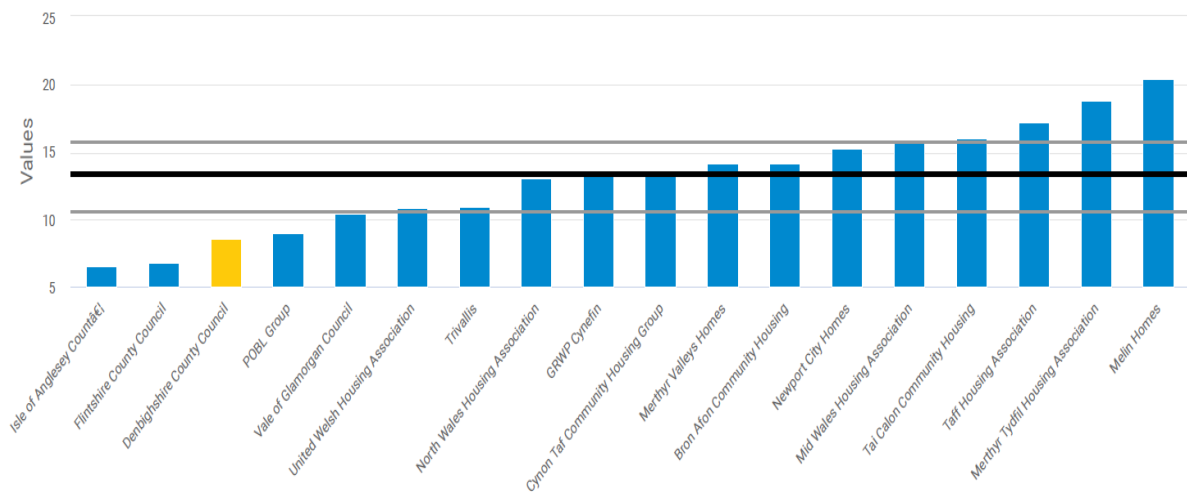
Cost Efficiencies

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

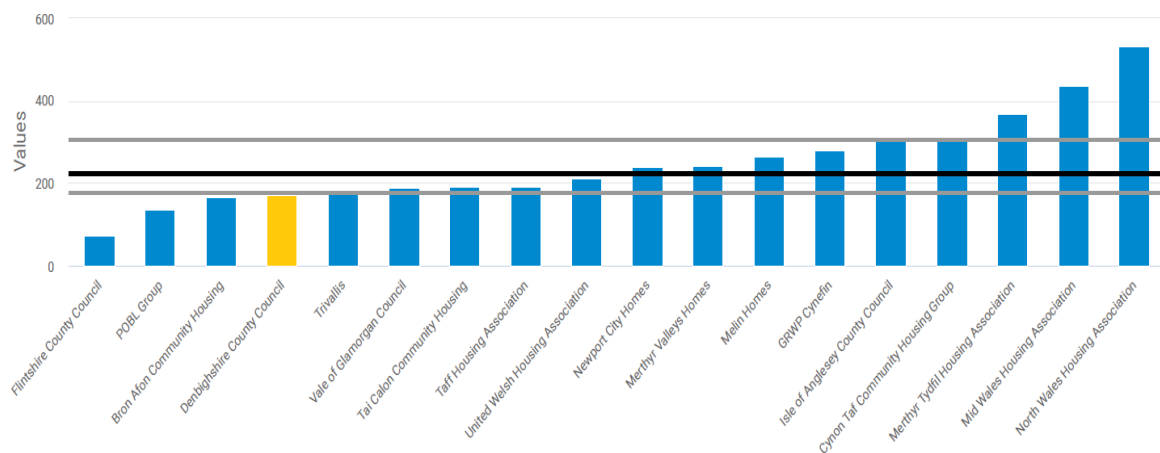
1.1 Overheads

These graphs show Overheads as a percentage of our Turnover and Cost Per Property (CPP) and Employee Overheads. This shows that our operating costs are amongst the lowest of comparable landlords.

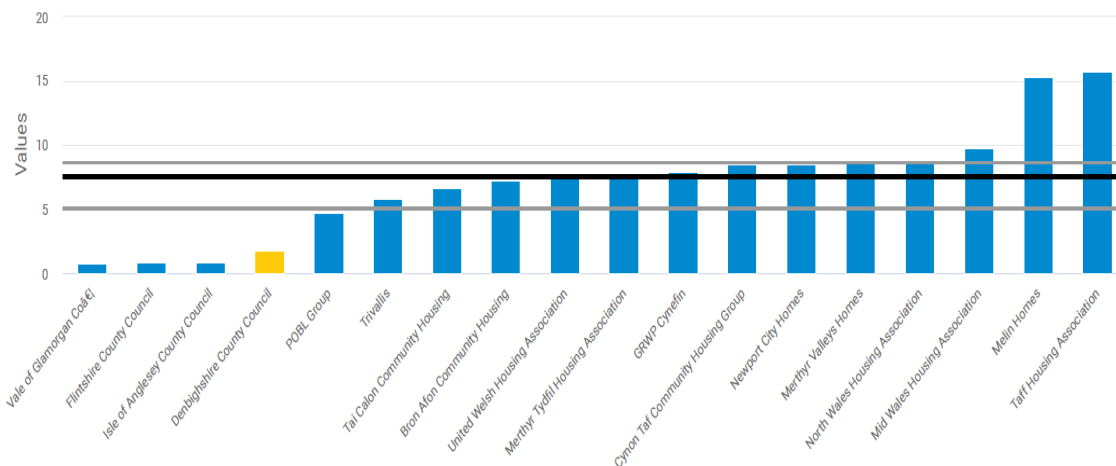
Overheads as a % of turnover



Overhead CPP



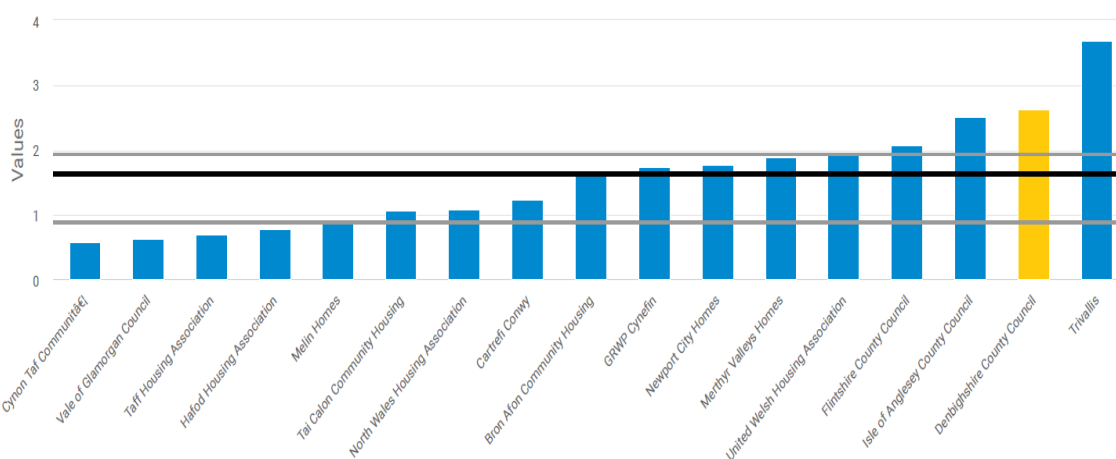
Overhead employees per 1,000 properties



Rent Loss

This graph shows that we perform relatively poorly in terms of rent loss when carrying out works in between tenancies (Voids). This is explained due to the extensive volume of works we undertake. The lettings standards for new tenants are extremely high but we recognise the need to carry out works and the associated processes as efficiently as we can so this is closely monitored.

Void loss %



Cost of Repair and Voids work

To illustrate the relative investment, this graphs shows we are high cost in terms of the level of investment in our homes primarily due to void work costs.

Total CPP of responsive repairs & void works

