

Report to	Partnerships Scrutiny Committee
Date of meeting	14th December 2023
Lead Member / Officer	Rhys Thomas, Lead Member for Housing & Communities/Angela Loftus, Strategic Planning & Housing Manager
Head of Service	Emlyn Jones, Head of Planning, Public Protection & Countryside Services
Report author	Jane Abbott, Senior Strategy Officer – Strategic Planning & Housing
Title	Setting of Affordable Rent Levels

1. What is the report about?

1.1. A report on the setting of Affordable Housing Rents

2. What is the reason for making this report?

2.1. To provide information regarding the criteria and mechanism for setting 'affordable' rent levels in Denbighshire (including for Council, Registered Social Landlords (RSL) & private rented sector housing stock).

3. What are the Recommendations?

That the Committee:

3.1. confirms that it has read and understood the process of setting intermediate rents, and comments accordingly.

3.2. supports the continuation of the work with Private Landlords and RSLs to strategically implement intermediate rents where appropriate to ensure the development of sustainable communities and maintain affordable tenancies.

4. Report details

- 4.1. Affordable Rent is split into two categories, social rent, and intermediate rent. Social rent is the lowest most affordable kind of rent and most Council & Housing Association properties have rent pitched at this level. All Local Housing Authorities and Registered Social Landlords (RSLs) in Wales must comply with the Social Housing Rent & Service Charge Standard. The Standard was brought in as part of The Housing (Wales) Act 2014¹.
- 4.2. This report is concerned with intermediate rent as social rent is dealt with through a separate process and is already reported to the Council through the mechanisms of Scrutiny, Cabinet and Full Council.
- 4.3. The definition of Intermediate Rent is set by the Welsh Government (WG) as rent which is pitched at either Local Housing Allowance (LHA) rate (determined by the Valuation Office Agency (VOA) to be the lowest third of open market rents)², up to a maximum of 80% of market rent; the figure is inclusive of service charges. Intermediate Rent is market led rather than income led and therefore is affected by the rent increases seen recently in the private rented sector. More information on this can be found in this BBC report³
- 4.4. Intermediate Rent is an option available to private developers alongside assisted home ownership, when considering planning obligations on new development sites. In Denbighshire we have 15 dwellings owned by 3

¹ The Standard is a framework which applies to all RSLs and reflects the variations in size, type quality and location for each landlord's housing stock. Any increases in the rent are set by Welsh Government in its annual statement.

² Table in Appendix (iii) illustrates Private Rent Data April 2022- 2023

³ <https://www.bbc.co.uk/news/business-65252376>

different private developers, which are rented out as intermediate properties.

- 4.5. Since 2017 there have been 157 properties brought forward as intermediate rental; 155 of these belong to RSLs including Denbighshire County Council (DCC)⁴.
- 4.6. The methodology for calculating Intermediate Rent is detailed in appendix (i) varies slightly between RSLs and Private Landlords. RSLs follow a slightly different process, this is because most RSL development led sites, need to ascertain the intermediate rent before any development takes place, so that they can assess the viability of the site.
- 4.7. RSL development proposals are scrutinised by their own Housing Boards and by WG when awarding grant funding (intermediate rent attracts lower levels of grant funding than social rent) and all aspects of governance of an RSL are overseen by Welsh Government's Regulator of Social Housing.
- 4.8. Sites need to meet identified local housing needs and be viable, to be developed. Grant funding is determined using WG's Standard Viability Model⁵ (SVM) and the tenure mix is agreed using housing need identified by DCC's Strategic Planning & Housing Strategy team to inform the tenure of the site.
- 4.9. Intermediate Rent information for RSLs is contained in the document *Rent First Intermediate Rent Guidance* published in 2011⁶. The guidance has been ambiguous as to whether service charges should have been included in the rent envelope of 80%. It has been established that two RSLs had calculated some of their intermediate rent exclusive of service charges, due to issues with viability or because service charges were out of their control as they were levied by developer. Following concerns

⁴ 12 are in DCC's housing portfolio.

⁵ The formula behind Standard Viability Modelling is determined by Welsh Government

⁶ <https://www.gov.wales/sites/default/files/publications/2019-04/rent-first-intermediate-rent-guidance.pdf>

raised by DCC with WG regarding this, WG issued a statement with the Rent Settlement Notification Letter in October 2023 (Appendix iv).

- 4.10. In this letter WG explicitly states that Intermediate Rents should include the service charges and should be pitched as close to the LHA figure as financially possible, however they recognise that LHA rates have been frozen since 2020 and will only start to increase again in April 2024. All the RSLs have agreed that going forward all intermediate rent will be in accordance with the new WG policy statement. WG have also assured DCC that they will be issuing updated policy guidance regarding Intermediate Rent, but this will take longer for their policy team to develop.
- 4.11. RSLs have advised that integrating service charges into the overall 80% rent envelope will affect viability of schemes, and less properties with this tenure may come forward as a result.
- 4.12. Information on the role of Tai Teg and Intermediate Rent can be found in Appendix (ii) alongside the analysis conducted for this report. It is illustrated in the appendix that intermediate rent is a growing tenure, very much in demand and far outstripping the demand for assisted home ownership.
- 4.13. In conclusion, Intermediate rents are being calculated in accordance with the guidance as defined by Welsh Government, with a few exceptions which have now been addressed however rental market rates have increased particularly over the last year. There is no scope to change the way in which Intermediate Rents are calculated, however it is possible to control where they are introduced on new developments through the planning process. Strategic Planning & Housing recommends the affordable housing mix on planning proposals based on census and waiting list information, to ensure that evidence-based decisions are made, a mix of tenures of affordable housing is recommended to meet a range of housing needs and maintain sustainable communities, which is in accordance with DCC's Corporate Plan aims.

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

5.1. Affordable housing provision contributes to the Corporate Plan aim of 'A Denbighshire of quality housing that meets people's needs'. Affordable housing provision is brought forward through new development and as such the properties must meet stringent criteria regarding energy efficiency and therefore have a positive contribution to the Council becoming Net Carbon Zero & Ecologically Positive by 2030.

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

6.1. The cost to Council is limited to officer time in checking and assessing rents where necessary. The Council has 12 dwellings at Intermediate Rent tenure within its portfolio and the rent income generated from these dwellings has been calculated and forms part of the Housing Revenue Account (HRA) business plan.

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

7.1. There is no Well-Being Impact Assessment associated with this report as it is for information only and no decision is required or applicable.

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

8.1. Affordable Rent is one of the tenures of Affordable Housing and as such is included in Supplementary Planning Guidance as part of the suite of guidance which underpins the existing Local Development Plan (LDP) which has had significant consultation with Scrutiny, Cabinet, Full Council, Town, City & Community Councils, General Public, Third Sector organisations and RSL partners.

8.2. The replacement Local Development Plan (LDP) is currently being progressed and affordable rents will form part of the housing tenures and be included in the consultation work again.

8.3. Discussions with all the RSLs offering intermediate tenure and Welsh Government have informed the development of this report

9. Chief Finance Officer Statement

9.1. The report explains the process for setting affordable rent levels in Denbighshire for Members. Income derived from affordable rents is calculated in accordance with the report and accounted for in the Housing Revenue Account.

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

10.1 Ensuring that people are supported to live in homes that meet their needs is a key priority for the Council. A range of mechanisms are in place to monitor progress, including regular reports to the Corporate Plan Housing Board and reports as and when required by Scrutiny.

11. Power to make the decision

11.1. Local Government Act 2000, Housing Act 1985 (S8), Housing Act 2004 (S8), Local Government Act 2003 (S87), Housing (Wales) Act 2014.

11.2. Scrutiny's powers in respect of this matter are laid out in Section 21 of the Local Government Act 2000 and Section 7 of the Council's Constitution.