

<b>Committee(s):</b> Environment, Enforcement & Housing	<b>Date:</b> 13 December 2021
<b>Subject:</b> Rent Setting 2020/21	<b>Wards Affected:</b> All
<b>Report of:</b> Tracey Lilley, Corporate Director Housing and Community Safety	<b>Public</b>
<b>Report Author/s:</b> Name: Nicola Marsh Corporate Manager Housing Estates Telephone: 01277 312981 E-mail: Nicola.marsh@brentwood.gov.uk  Name: Phoebe barnes Corporate Manager Finance Telephobe: 01277 312500 E-mail: phoebe.barnes@brentwood.gov.uk	<b>For Decision</b>

### Summary

This report seeks the recommendations of the committee on the proposed rent and service charge levels for 2022/2023.

The recommendations will be considered by Policy, Resources & Economic Development Committee when the final recommendation will be made as part of the budget setting process. The final decision will be made by Ordinary Council on 23<sup>rd</sup> February 2022.

### Recommendation(s)

**Members are asked to:**

**R1. Increase rent by CPI plus 1% (Total 4.1% increase) for Social and Affordable Housing Properties**

**R2. Increase Shared Ownership and General Fund Property Rents by CPI plus 1%**

**R3. To apply formula rent to all new tenancies from April 2022**

**R4. To apply a 2% increase to Garage Rents**

**R5. To note that service charges have been reconciled and charges have been increased or decreased so they are brought in line with actual costs and that no increase will exceed CPI plus 1%.**

## Main Report

### **Introduction and Background**

1. In the summer budget of 2015, Government announced that rents in the social housing sector would reduce by 1% every year, for the next four years from 2016/17.
2. This came to an end in 2020 following a government proposal in 2018, to allow Councils to increase rents by CPI + 1% for 5 years. This is a welcomed response from Council's nationwide as it gives Council's the stability and certainty it needs to build more needed new homes and to invest in their existing homes and services for tenants.
3. The Council currently has 15 Shared Ownership Properties of which the Council owns 50% of the property on 13 properties, 30% on 1 property and 40% on another property. There are 9 properties that are in the General Fund and are rented on tenancies. The rents on these properties are not set by Government Guidelines as the properties are not for Social Housing Purposes.
4. The CPI to be used in the rent calculations as at September 2021 which was 3.1%. Therefore, rents and service charges are to be increased no more than 4.1%
5. For background information the average rent increases have been:
  - 2015/16      2.20%
  - 2016/17      -1.00%
  - 2017/18      -1.00%
  - 2018/19      -1.00%
  - 2019/20      -1.00%
  - 2020/21      2.70%
  - 2021/22      1.50%

## Issue, Options and Analysis of Options

### Rents

6. The government announced that from 2020/21 rents can revert to the previous policy and be increased by CPI (at September of the previous year) plus 1%. This allows for a more optimistic forecast of the resources available to the HRA.
7. The increase is to be applied to current rents charged and is capped at the calculated Formula Rent.
8. Formula rents are calculated using a pre-set formula which incorporates local housing values, local earnings of resident's average rents and the number of bedrooms to each property and are to be increased by CPI plus 1%.
9. Landlords are encouraged to re-let vacant properties at the formula rent. Formula Rent is to increase by CPI plus 1%. Landlords have the added option of being able to charge a 5% margin (10% for sheltered housing) above formula rent and remain within the guidelines – but only on new tenancies. This is detailed within the Rent Setting Policy.
10. The Bank of England's CPI target for future years is 2% therefore the assumption built into the future rental forecasts is that rents will increase by 3% per annum from April 2021.
11. Appendix A set out the current overall average rent with the 4.1% increase applied from April 2022 and provides some examples of rent levels for properties of different sizes.
12. Officers are aware that a 4.1% increase is a significant increase in current financial climates. However, the HRA is a ring-fenced account and therefore the rental income maintains the whole housing stock and services available to its tenants. RPI for September was 4.9% therefore any costs that are subject to RPI-based inflation will increase faster than rents, increasing the pressure on the HRA budgets. Therefore, to maintain the pace of works within the HRA and to ensure the HRA remains sustainable for the future officers are content that the rents must rise as per government guidelines.
13. Officers will work with any tenants that raise concerns around their rent increase and financial capabilities will look at ensure tenants are signposted to the relevant departments to ensure they receive any support available to them.
14. The gross annual rental income is as follows:

<b>Rental Types</b>	<b>Gross Forecast 2022 £</b>
Shared Ownership	30,634
Affordable Rents	423,526
Social Rents	12,143,135
<b>Total</b>	<b>12,597,025</b>

### Service Charges

15. Historically, the Council has increased fees and charges in line with inflation (currently projected at 1.9% per annum). This is to reflect that the costs of running the service will rise by approx. 1.9%, and therefore we try and maintain Service Charges, fees, and charges at the same level.
16. The current Service Charge Policy ensures that services supplied are cost recoverable. Any increases to current Service Charges, will be capped at CPI plus 1% as recommended in the Governments guidance. Tenants will be informed in due course regarding charges made to their current service charges. The financial impact of any Service Charge increases will be built into the final budget setting process for the HRA

### Garage Rents

17. Currently the HRA has 1,101 number of garages in ownership. 459 are currently void, the void rate is operating at 42%. An element of this high void is subject to sites allocated in the small sites development programme and so are purposefully kept void.
18. Garage sites that are to let or have low demand are being reviewed as part of a wider scheme in the development of housing in the borough. 30 garages of the 338 have been decommissioned for development. 79 are currently being reviewed for development. Therefore, the available garages that are lettable, but void are 229.
19. Proposed garage charges are attached within Appendix B and the annual net income is forecast at £282,050 based on the current lettable properties and 1.9% increase rounded.

### **Reasons for Recommendation**

20. The recommendation is to follow government guidelines which proposes to increase rents by CPI plus 1%, for 2022/23 this is 4.1%

21. This increase to rents is a welcomed one, allowing the HRA to have certainty around rent setting and it's forecast Business Plan.
22. The proposed increase will contribute to funding the current services provided as well supporting the development of the capital programme and housing development plans.
23. When considering the rent setting the following assumptions have been considered:
- The financial viability of the HRA business plan
  - Provision for the repairs & maintenance capital programme
  - Development for new homes in the borough
  - Affordability for tenants
  - Investing in services to the tenant receives the best service delivery.

## **Consultation**

24. The proposed increases highlighted are to be reported to Tenants.

## **References to Corporate Plan**

25. The Council has a legal obligation to produce a balanced HRA budget and to set the rent levels for 2022/23.

## **Implications**

### **Financial Implications**

**Name/Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources)**  
**Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk**

26. The impact of the changes to the rent levels are outlined in report.
27. The proposed increase is a welcomed one as it generates additional revenue income to the HRA. The 1% decrease over 4 years has resulted in a significant impact to HRA balances. With a strong agenda to improve services currently delivered and invest in it's housing stock and drive a redevelopment agenda, the HRA needs to take the opportunity to increase revenue to support the costs in achieving these priorities.
28. The assumptions outlined in the report and forecast income figures will be included in the final budget position for the HRA that will be considered at

Policy, Resources and Economic Development committee, to be agreed at Ordinary Council.

### **Legal Implications**

**Name & Title: Amanda Julian, Corporate Director (Law and Governance)**

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29. The Council is required by the Local Government Housing Act (LGHA) 1989 to have a separate Housing Revenue Account. The Council is required to comply with the Direction on the Rent Standard 2019. The Secretary of State set Direction in exercise of the powers conferred by section 197 of the Housing and Regeneration Act 2008. The Council is required to comply with the Ministry of Housing, Communities and Local Government Policy statement on rents for social housing February 2019.

### **Economic Implications**

**Name/Title: Phil Drane, Corporate Director (Planning & Economy)**

**Tel/Email: 01277 312610/philip.drane@brentwood.gov.uk**

30. There are no direct economic implications arising from this report. Maintaining a healthy housing stock across tenures in the borough can have indirect benefits that contribute to economic growth.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

None

### **Background Papers**

None

### **Appendices to this report**

- Appendix A: Rent Setting Analysis
- Appendix B: Garage Rent Charges