

Committee(s): Environment, Enforcement & Housing	Date: 12 December 2022
Subject: Rent Setting 2023/24	Wards Affected: All
Report of: Julian Higson, Interim Director of Housing	Public
Report Author/s: Name: Nicola Marsh Corporate Manager Housing Estates Telephone: 01277 312981 E-mail: Nicola.marsh@brentwood.gov.uk Name: Phoebe Barnes Director of Assets and Investment Telephone: 01277 312500 E-mail: phoebe.barnes@brentwood.gov.uk	For Decision

Summary

This report seeks the recommendations of the committee on the proposed rent and service charge levels for 2023/2024.

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 1st March 2023.

Recommendation(s)

Members are asked to:

R1. Increase rent in line with the national rent cap of 7% for Social and Affordable Housing Properties

R2. Increase Shared Ownership and General Fund Property Rents in line with the national rent cap of 7%

R3. To apply formula rent to all new tenancies from April 2023

R4. To apply a 11.1% (CPI+1%) increase to all non-council tenant garage rents

R5. To apply a 7% increase to all council tenant garage rents

R6. 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.
3. However, in September 2022 CPI hit 10.1% which would put many residents under financial strain at an already difficult time.
4. The Government recognised this financial burden and after consultation with the sector, has capped rent increases at 7%
5. During the autumn statement the government announced an increase to benefit payments of 10.1%. This means that Tenants who receive full Housing Benefit or the Housing Element of Universal Credit, will not be severely impacted by such a rent increase.
6. 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.
7. 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%
 - 2022/23 4.1%

Issue, Options and Analysis of Options

Rents

8. During the Government's autumn statement 2022, it was announced that in order to protect social housing tenants, rents will be capped at 7%.
9. This was following a large consultation which closed on October 2022.
10. The increase is to be applied to current rents charged and is capped at the calculated Formula Rent.
11. 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 the rent cap of 7%.
12. 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.
13. Each year the government release Rent Standard Guidance to assist in the rent setting process. To date, the guidance for 2023 – 2024 rents has not been released and therefore this report assumes the calculation for Formula rent will increase by the same as standard rents as has been the case for previous years.
14. When guidance is released, Housing in conjunction with finance, will clarify all figures against the Rents Standard Guidance in calculating the actual rents to tenants.
15. As of April 2021, The Bank of England's CPI target for future years was 2% therefore the assumption built into the future rental forecasts was that rents will increase by 3% per annum from April 2021.
16. We now know that CPI has vastly increased over the expected value to 10.1% and with rents capped at a 7% increase, this will create a pressure on the HRA not just for the coming financial year but over the full 30-year business plan.

17. Appendix A set out the current overall average rent with the 7% increase applied from April 2023 and provides some examples of rent levels for properties of different sizes.
18. Officers are aware that a 7% 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 12.6% 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.
19. Of a total of circa 2400 current tenants, 747 are in receipt of full housing benefit meaning they should not be impacted by the rent increase, 373 are on partial housing benefit and 390 are on Universal credit. As we do not hold full information on the universal credit accounts, we must assume that they along with the partial benefit receivers, must pay a small proportion of their rents.
20. Whilst benefits are increasing, wages are also rising at a similar rate although we recognise that households will still be struggling.
21. 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.
22. As a Council, we are also seeing costs increasing, particularly in the construction industry where costs have increased by;
 - 21% increase in tender prices over the period 2021-26 (source: RICS)
 - 28% increase in materials costs for repairs and maintenance
 - 35% increase for all construction and maintenance activity
23. These increases impact the level of works we can complete each financial year and by only increasing rents by the cap of 7% we are already hit with an immediate 4% rental loss of £506,401 for next financial year. This is a cost gap that the Council Housing Department will have to fund by cutting back on non emergency and health and safety works.
24. The table below shows the rental incomes if we didn't increase rents, for the 7% rent cap and what we could have see if the full 11.1% was imposed.

25. It also identifies what each percentage totals in rental losses and the impact over a 30 year period.

	0% Rent Increase	7% Rent Increase	11.1% Rent Increase
Expected Rental Income	£12,570,914	£13,450,895	£13,957,296
Anticipated Rental Loss year 1	£1,386,382	£506,401	£0
Total anticipated Rental Loss over 30 years	£65,957,700	£24,092,238	£0

26. The gross annual rental income is as follows:

Rental Types	Gross Forecast 2022 - 2023 £
Shared Ownership	32,779
Affordable Rents	512,782
Social Rents	12,905,334
Total	13,450,895

Service Charges

27. 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

28. Currently the HRA has 1,037 number of garages in ownership. 462 are currently void, of which 176 are in a lettable condition. An element of this high void is subject to sites allocated in the small sites development programme and so are purposefully kept void.

29. 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. All applicants on the garage waiting list have recently been written too, to advise of changes to the Garage Allocations policy with the final wave of letters being sent in November 2022.
31. Residents have been asked to re-apply for garages in their locality, being their ward, only to help manage the waiting lists and allocate garages fairly.
32. From December, officers will be letting garages on sites that need very little work first and then assessing the remaining garages to see if it is economical to repair them and then subsequently relet.
33. This will be an ongoing process which is assisted by the re-generation team looking at uses of garage sites also.

Reasons for Recommendation

34. The recommendation is to follow government guidelines which proposes to increase rents by 7%, for 2023/24.
35. This increase to rents is a welcomed one for residents, however it will create a pressure on the HRA Business Plan.
36. The proposed increase will contribute to funding the current services provided as well supporting the development of the capital programme and housing development plans.
37. 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

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

References to Corporate Plan

39. The Council has a legal obligation to produce a balanced HRA budget and to set the rent levels for 2023/24.

Implications

Financial Implications

Name/Title: Phoebe Barnes, Director of Assets and Investments Tel & Email: 01277 312500 / phoebe.barnes@brentwood.gov.uk

40. The impact of the changes to the rent levels are outlined in report.
41. 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.
42. 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: Steve Summers, Strategic Director and Monitoring Officer
Tel & Email: 01277 312500/ steve.summers@brentwood.gov.uk**

43. 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, Director of Place
Tel/Email: 01277 312610/philip.drane@brentwood.gov.uk**

44. 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