



COMMITTEE TITLE: Housing, Health, and Communities

DATE: 18th December 2023

REPORT TITLE:	Rent Setting 2024 / 2025
REPORT OF:	Lauren Stretch

REPORT SUMMARY

This report seeks the recommendations of the committee on the proposed rent and service charge levels for 2024/2025.

The recommendations will be considered by FAIR 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 28th February 2024.

RECOMMENDATION

R1. To apply a 7.7% (CPI+1%) increase to all Social and Affordable Housing Properties

R2. To apply a 7.7% (CPI+1%) increase to Shared Ownership and General Fund Property Rents

R3. To apply formula rent to all new tenancies from April 2024

R4. To apply a 7.7% (CPI+1%) increase to all non-council tenant garage rents

R5. To apply a 7.7% 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%.

SUPPORT ING INFORMATION

1.0 REASON FOR RECOMMENDATION

The recommendation is to follow government guidelines which proposes to increase rents by 7.7%, for 2024/25. This figure is CPI from September 2023 which was 6.7% +1%.

The proposed increase will contribute to funding the current services provided as well supporting the development of the capital programme and housing development plans.

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.

It is also important to note that during the Autumn budget, the government announced that the local authority housing allowance for the rent element of benefits would be increasing. Whilst this amount is not yet set, this will benefit Tenants who are entitled to that particular benefit and assist with their rent payments.

2.0 BACKGROUND INFORMATION

Rents

Every year rents are increased in accordance with the Rent Standard Guidance from Government. Generally, this is CPI from September +1%. CPI for September 2023 was 6.7% therefore the proposal is to increase rents by 7.7%. This will allow the Housing service to continue delivering its services and improving the stock for residents.

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+1% totalling 7.7%.

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.

Each year the government release Rent Standard Guidance to assist in the rent setting process. To date, the guidance for 2024-2025 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.

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.

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.

Officers are aware that a 7.7% 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 8.9% 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.

Of a total of circa 2400 current tenants, 353 are in receipt of full housing benefit meaning they should not be impacted by the rent increase, 326 are on partial housing benefit and 396 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.

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.

The gross annual rental income is as follows:

Rental Types	Gross Forecast 2023 - 2024 £
Shared Ownership	32,779
Affordable Rents	512,782
Social Rents	12,905,334
Total	13,450,895

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.

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%
- 2023/24 7%

Service Charges

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

Currently the HRA has 1199 number of garages in ownership. 600 are currently void, of which 110 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.

In August 2023, the Housing team started a Garage review project looking at which are currently, or with some works, could be lettable and which sites require a more in-depth options appraisal for future plans.

This is progressing well and we have already started letting more garages on the lettable sites.

3.0 OTHER OPTIONS CONSIDERED

In order to deliver services and future planned maintenance programmes, increasing rents in accordance with government guidance is the most viable option.

If we were to not increase rents increase them by less than the proposed 7.7%, our services may diminish or be cancelled, and homes may fall into disrepair.

Consideration has been given to the average cost to rent in the private sector. Even with the proposed increase of 7.7% the price of renting a Brentwood Council property is significantly lower.

The table below sets out the average rents of both social and private rented properties.

Average property prices in Brentwood:

Bed Size	HRA average rents	Private Rented properties average rents
One Bedroom	£456.99	£1225
Two Bedroom	£528.10	£1600
Three Bedroom	£585.52	£1925
Four Bedroom	£701.26	£2675

4.0 RELEVANT RISKS

Financial loss to the HRA.

5.0 ENGAGEMENT/CONSULTATION

None

6.0 FINANCIAL IMPLICATIONS

Name & Title: Tim Willis, Director – Resources & Section 151 Officer
Tel & Email: 01277 312500 / tim.willis@brentwood.rochford.gov.uk

The impact of the changes to the rent levels are outlined in report.

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.

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

7.0 LEGAL/GOVERNANCE IMPLICATIONS

Name & Title: Claire Mayhew, Acting Joint Director – People & Governance & Monitoring Officer
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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.

8.0 EQUALITY & HEALTH IMPLICATIONS

Name & Title: Kim Anderson, Corporate Manager - Communities, Leisure and Health

Tel & Email 01277 312500 kim.anderson@brentwood.gov.uk

Consideration should be given to the detrimental effect the increase in rents may have on some residents and support should be offered where appropriate.

9.0 ECONOMIC IMPLICATIONS

Name & Title: Phil Drane, Director - Place

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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.

10.0 ENVIRONMENTAL IMPACT

Name & Title: Henry Muss, Sustainability & Climate Officer

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None

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APPENDICES

- Appendix A: Rent Setting Analysis