

SUBJECT:	COUNCIL HOUSE AND GARAGE RENTS 2020/21
DIRECTORATE:	HOUSING AND INVESTMENT
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1. Purpose of Report

- 1.1 To propose an increase in council house rents in line with the Government's Rent Policy for social housing from 1 April 2020 onwards and to seek approval for the introduction of revised rents from Monday 6th April 2020.
- 1.2 To seek members approval for an increase of 3% on Council garage rents for 2020/21 in line with other fees and charges revisions by the Council.

2. Executive Summary

- 2.1 The Welfare Reform and Work Act 2016, determined that all social (inclusive of supported housing) and affordable rents were reduced by 1% year on year between 2016/17 to 2019/20. For the City of Lincoln Council it is estimated that the four year rent reduction process will have removed £10.5m funding from the City's current Housing Revenue Account Business plan.

In October 2017, the government announced its intention to set a long term rent deal. This would permit annual rent increases on both social and affordable rent properties of up to Consumer Price Index (CPI) plus 1% from 1 April 2020 for a period of at least five years.

- 2.2 In keeping with the Housing Business Plan approved by Council and the Governments Rent Guidelines, the formula rent rise for 2020/21 is based on CPI in the previous September (September 2019 = 1.7) plus 1.0%. In Lincoln's case this will mean an average rent increase of 2.7% from Monday 6 April 2020; although this is an average rent increase across the stock.

As a result of the continued erosion of stock numbers as a result of the Right To Buy regime, despite increasing rents at CPI plus 1% from the 6th April 2020, budgeted rental income will drop by £296k from £28.319m to £28.023m in 2020/21.

- 2.3 Despite actively buying back properties, stock numbers continue to reduce due to Right to Buy. To date we have completed 18 purchases. These are:
 - 2 - one bed
 - 8 - two bed
 - 8 - three bed

Between April and December 2019 42 properties have been sold under RTB (30 in the same period April to December 2018). These are:

- 3 - one bed
- 23 - two beds
- 13 - three beds
- 4 - four beds

2.4 Therefore there has been a net reduction in stock of 24 properties to date which directly impacts on rental income.

The average weekly increase for the City of Lincoln Council based on data at 12 December 2019 for net social housing rent (calculated over 52 weeks) from £67.74 in 2019/20 to £69.57 per week for 2020/21, to an average equivalent increase of income per property of £1.83 per week over 52 weeks.

The 50 week average rent would be charged at £72.35

There are currently 208 properties charged at an Affordable Rent which is higher than social housing rent. Based on data as of 12 December 2019 the increase, on the average weekly net rent (calculated over 52 weeks) will result in an increase from £105.52 in 2019/20 to £107.87 per week for 2020/21, to an average equivalent increase of income per property of £2.35 per week over 52 weeks. The 50 week average rent would be charged at £112.18

3. Background

3.1 The national Rent Convergence Policy and Social Rent Guidance was introduced in April 2002, the aim of which was that rents in the social housing sector (local authority rents and those charged by housing associations) should be brought onto a common system based on a formula set by Government. The formula creates a “formula rent” for each individual property which is calculated based on:

- The relative value of the property
- Relative local income levels; and
- The size of the property.

The formula rent is often also referred to as the “target rent”. The City Council and other social landlords are expected to move the actual rent of a property (which may be lower or higher than the formula rent) to the formula rent over time

3.2 Members will be aware that the financing for council housing was changed in April 2012 – the ‘Self-financing Regime’ was introduced under which local authorities were required to buy themselves out of the national housing subsidy regime in return for the keeping of future rental income at local level. The valuation of the housing stock and the Council’s Housing Revenue Account (HRA) Business Plan was based on rental income rising in line with the Government’s rent convergence policy and rent guidelines in place at that time

3.3 There are currently 7,720 housing rent properties, of those that have a current active tenancy :-

- 38% are in receipt of full housing benefit payment
- 15% are in receipt of partial housing benefit payment
- 16% are in receipt of Universal Credit
- 31% do not receive any of the above

- 3.4 Councils continue to increase rents on those housing properties that are currently below the 'formula rent' (or convergence amount) on re-letting to new tenants before applying the 2.7% increase. For the City of Lincoln Council at the date of this report, 803 properties (that are 10 pence or more below target rent) were not at formula rent and thus when these properties become available for re-letting the rent can be increased to the formula amount plus 2.7% for 2020/21.
- 3.5 Considering the importance of rent collection and the Council's ambitious plans, it is intended to review the Tenancy Strategy and to bring a further report to members during the next financial year to include the review of the tenancy agreement and as part of this review, to remove the 'two-free weeks' rent payments. This will bring our rent collection in to line with UC payments, increase direct debit payment date options and consider stopping the use of AllPay cards; which have a high cost per transaction to the Council.
- 3.6 The Lincoln Tenants' Panel is due to consider this report at its meeting on 15 January 2020. Their comments and observations will be reported verbally during the Executive meeting.

4. Strategic Priorities

4.1 Let's reduce inequality

The Government policy is primarily about reducing the welfare benefits bill but it does help those just above benefit thresholds. Council house rents remain significantly lower than the rent levels in the private rented sector in the City.

4.2 Let's deliver quality housing

The new rent policy recognises the need for a stable financial environment to support the delivery of new homes and to increase resources available to maintain current homes.

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

Council Housing Rents 2020/21

The impact of this change will be an increase to the current average calculated 52 week net social housing rent from £67.74 per week to £69.57 per week – an average increase of £1.83 per week, and an increase on affordable rent from £105.52 to £107.82 an average increase of £2.35 per week.

Changes in individual rents will vary according to the level of actual current rent as illustrated in Appendix 1.

Council Garage Rents 2020-21

An increase in garage rents of 3% is proposed in line with the Authority's Fees and Charges increase. This would bring the charge to £8.08 for 2020/21 (based on a calculated 52 week charge period), an increase of £0.23 per week. Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands.

5.2 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

These aspects have been considered in the writing of this report.

6. Risk Implications

6.1 (i) Key risks associated with the preferred approach

The main risks are that the Government make further changes to the Rent Guidelines which will undermine the Business Plan and also that future CPI levels are lower than those assumed in the MTFs and Business Plan i.e we assumed CPI at 2% per annum and September 2019 this dropped to 1.7.

7. Recommendation

7.1 Agree the basis of rent calculation for changes to individual Council house rents as set out in paragraph 5 of this report, which represents an increase in the average calculated 52 week council house net rent in 2020/21 of 2.7% for social housing rents (£1.83 p/w) and affordable rents (£2.85 p/w) increase per property. This is in accordance with Government policy.

7.2 Increase Council garage rents for 2020/21 in accordance with the proposal in paragraph 6.1 above by 3%.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? 1

List of Background Papers:

Welfare Reform and Work Act 2016
Policy statement on rents for social housing –
February 2019

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APPENDIX 1

IMPACT OF INCREASES ON ALL TENANTS – APRIL 2020 (Based on a 52 week rent year inclusive of all rent types)

Average rent increase per property by number of bedrooms per week as 12 /12/2019	
No. of beds	Increase per week
1 & bedsits	£0.94
2	£2.04
3	£2.05
4	£2.19
5	£2.26
6+	£2.51