

SUBJECT: COUNCIL HOUSE AND GARAGE RENTS 2021/22

DIRECTORATE: HOUSING AND INVESTMENT

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HOUSING BUSINESS SUPPORT MANAGER

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 (April 2020) and to seek approval for the introduction of revised rents from Monday 5th April 2021
- 1.2 To seek members approval for an increase of 3% on Council garage rents for 2021/22 in line with other fees and charges revisions by the Council

2. Executive Summary

- 2.1 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 2021/22 is based on CPI in the previous September (September 2020 = 0.5) plus 1.0%. In Lincoln's case this will mean an average rent increase of 1.5% from Monday 5 April 2021; although this is an average rent increase across the stock, due to several reasons for example the continual erosion of stock numbers because of the Right to Buy (RTB) regime, the budgeted rental income is £28,911,300
- 2.3 During the last nine months we have continued to add to our stock via the buy-back programme as follows: -

Buy-back from 01 April 2020 to 18 December 2020
 - 3 - one bed
 - 11 - two bed
 - 10 - three bed
 - 2 – four bed
 - 1 – four / five bed
- 2.4 The Government RTB programme sales have negatively impacted on the council's current stock and rental income (April to December 2020). To date 17 properties have been sold, this has been lower than projected due to the Covid pandemic but since July we have received 37 RTB applications and if all are

completed by the end of December 2020 the total sales for RTBs would be 52; compared to 42 in the same period last year (April to December 2019)

- 3 - one bed
- 6 - two beds
- 8 - three beds

[Note: the loss of 3-bedroom home has a significant impact on our ability to provide family homes]

- 2.5 The average weekly rent for the City of Lincoln Council based on data at 18 December 2020 for net social housing rent (calculated over 52 weeks) will increase from £69.79 in 2020/21 to £70.84 for 2021/22. This will equate to an average equivalent increase of income per property of £1.05 per week over 52 weeks.

The 50-week average rent would be charged at £73.67

- 2.6 There are currently 260 properties charged at an Affordable Rent which is higher than social housing rent. Based on data at 18 December 2020 the increase, on the average weekly net rent (calculated over 52 weeks) will result in rents moving from £107.82 in 2020/21 to £109.43 per week for 2021/22, equating to an average equivalent increase of £1.61 per week over 52 weeks

- 2.7 Council Garage Rents 2021--22

An increase in garage rents of 3% is proposed in line with the Authority's Fees and Charges increase. This would result in an average increase in the rent charged to £8 per week for 2021/22 (based on a calculated 52-week charge period), an increase of £0.24 per week.

Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands

- 2.8 The Lincoln Tenants' Panel (LTP) is due to consider this report at their meeting on 13 January 2021. Their comments and observations will be reported verbally during the Executive Committee meeting.

- 2.9 This report will be referred to Full Council for approval to ensure that rent notices can be sent to tenants prior to the start of the new financial year and providing them with the requisite 28-day notice period required by law.

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 As at 01 December 2020 there are currently 7761 council housing rent properties, of those that have a current active tenancy:-
- 30% are in receipt of full housing benefit payment
 - 13% are in receipt of partial housing benefit payment
 - 26% 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 1.5% increase. For the City of Lincoln Council at the date of this report, 797 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 1.5% for 2021/22.
- 3.5 Impact of Covid-19

Tenants continue to pay rent and abide by all other terms of their tenancy agreement to the best of their ability.

In April 2020 the decision was made to bring forward the ‘rent-free’ weeks and set up a Discretionary Rental Hardship Payment Fund to support tenants whose income was directly affected by the Coronavirus outbreak and would struggle to meet their rental obligations; this was a one-off payment and to date we have supported 179 tenants to the sum of £47,483:89

Break-down of the 179 individual award amounts:

- 127 awards of a full months’ worth of rent
- 2 awards of three weeks’ worth of rent
- 37 awards of two weeks’ worth of rent
- 13 awards of one weeks’ worth of rent

The Ministry of Housing, Communities & Local Government published guidance for stock retained councils on the operation of the Housing Revenue Account (HRA) for rent setting and applications to disapply the Government’s rent policy. The application for removal of properties from the Government Rent Policy of limiting rent increases to a maximum of CPI and 1% is intended only to be used to avoid serious, and unavoidable financial difficulty in managing the HRA.

On 17 November 2020, the Council’s Audit Committee received a report, “Assessment of going concern status”. This report confirms that the Council held an HRA Balance of £0.996m at 31 March 2020 and that the HRA Business Plan is showing as being affordable (based on the rent policy of CPI plus 1%). However, this was based on the assumption that CPI was at 2% over the period to 2025. The new MTFS 2021 -2026 has now been prepared based on a lower rent increase i.e CPI at 0.5% and still demonstrates that the HRA is affordable;

therefore, as the Council does not need to introduce a rent increase above CPI plus 1% to negate unavoidable and serious financial difficulty, it is unable to apply (at this stage) to be exempt from the Government's Rent Policy.

4. Strategic Priorities

4.1 Let's drive economic growth

4.2 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

4.3 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.

4.4 Let's enhance our remarkable place

4.5 High performing services

5. Organisational Impacts

5.1 Finance (including whole life costs where applicable)

Council Housing Rents 2021/22

The impact of this change will be an increase to the current average calculated 52-week net social housing rent from £69.79 per week to £70.84 per week – an average increase of £1.05 per week, and an increase on affordable rent from £107.82 per week to £109.43 an average increase of £1.61 per week.

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

Council Garage Rents 2021--22

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 £8.32 for 2021/22 (based on a calculated 52-week charge period), an increase of £0.24 per week. Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands.

5.3 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

6. Risk Implications

6.1 (i) Options Explored

6.2 (ii) 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 that future CPI levels are lower than those assumed in the MTFS and Business Plan i.e we have assumed CPI at 2% per annum and September 2020 this dropped to 0.5

7. Recommendation

7.1 Agree the basis of rent calculation for changes to individual Council house rents as set out in paragraph 6 of this report, which represents an increase in the average calculated 52-week council house net rent in 2021/22 of 1.5% for social housing rents (£1.05 p/w) and affordable rents (£1.61 p/w) increase per property. This is in accordance with Government policy

7.2 Increase Council garage rents for 2021/22 in accordance with the proposal in paragraph 2.7 above by 3%.

7.3 Refer this report and recommendations to Full Council on 19 January 2021

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? ONE

List of Background Papers: Welfare Reform and Work Act 2016
Policy statement on rents for social housing

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APPENDIX 1

IMPACT OF INCREASES ON ALL TENANTS – APRIL 2021 (Based on an average 52 week rent year inclusive of all rent types)

Average rent increase per property by number of bedrooms per week as 17/12/2020	
No. of beds	Increase per week
1 & bedsits	0.94
2	2.06
3	2.18
4	2.25
5	2.29
6+	2.43