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| SUBJECT: | COUNCIL HOUSE AND GARAGE RENTS 2023/24 |
| DIRECTORATE: | HOUSING AND INVESTMENT |
| REPORT AUTHOR: | FRANCES JELLY, HOUSING BUSINESS SUPPORT MANAGER. |

1. Purpose of Report

- 1.1 To propose an increase in council house rents of 6.5% within the terms of the Government's Rent Policy for social housing (April 2020 updated 15 November 2021) and to seek approval for the introduction of revised rents from Monday 3rd April 2023.
- 1.2 To seek members approval for an increase of 5% on Council garage rents for 2023/24 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 for 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 current Housing Business Plan approved by Council and the Governments Rent Guidelines, the formula rent rise for 2023/24 should be based on CPI in the previous September (September 2022 = 10.1%) plus 1.0% as stated above.
- 2.3 As a result of the national economic situation (and the resultant cost of living crisis) the Government consulted (during Nov/Dec 22) on a range of potential capped increases of between 3 and 7% for Social Housing rents for the next financial year.

Following that national consultation, Government have stated that the rent increase in social housing would be capped at 7% for the year 2023/24. Thereby stepping away from the previously agreed CPI plus 1%.
- 2.4 The Council, having considered the impact on our tenants, other pressures that household incomes are facing, particularly the most vulnerable in our community, and at the same time recognising the economic and financial pressures it has in delivering services to its customers, is proposing to apply a lower level of rental increase than stated in 2.3 above of 7%.

The proposed level of rent increase for 2023/24 will be 6.5%. This will come into effect from Monday 3 April 2023. Budgeted rental income for the year, subject to approval, will be £32,231,610

In making this recommendation officers are proposing elected members consider a lower level of increase than last year (IE lower than CPI plus 1%) and the government-imposed rent reduction policy between 2016/17 and 2019/20 which saw the council have to reduce rents by 1% per annum rather than increase at CPI plus 1% as previously agreed.

The average weekly social housing rent for the City of Lincoln Council based on data as of 14 December 2022, for net social housing rent (calculated over 52 weeks) will increase by an average of between £4.28 and £6.60 per week for 2023/24. As shown in table 1 below

Table 1.

| Property type | Average Increase | New average rent | No properties |
|------------------|------------------|------------------|---------------|
| 1 Bed | £4.28 | £70.98 | 3034 |
| 2 bed | £4.86 | £79.67 | 2633 |
| 3 Bed | £5.37 | £88.00 | 1601 |
| 4 bed | £5.72 | £93.68 | 116 |
| 5 bed | £5.96 | £97.69 | 4 |
| 6+ bed | £6.60 | £108.60 | 8 |
| Total Properties | | | 7396 |

There are currently 375 properties charged at an Affordable Rent which is higher than social housing rent. Based on data as at 14 December 2022 the increase, on the average weekly net rent (calculated over 52 weeks) will be between £7.10 and £9.16 for 2023/24. As shown in table 2 below: -

Table 2.

| Property type | Average Increase | New average rent | No properties |
|------------------|------------------|------------------|---------------|
| 1 Bed | £7.10 | £116.34 | 102 |
| 2 bed | £7.32 | £120.02 | 135 |
| 3 Bed | £7.92 | £129.85 | 107 |
| 4 bed | £9.16 | £150.12 | 31 |
| 5 bed | £0.00 | £0.00 | 0 |
| 6+ bed | £0.00 | £0.00 | 0 |
| Total Properties | | | 375 |

Note: affordable rent properties, each time they become void, have a new market rent valuation completed each time and the rent is charged at 80% of the market rent.

2.5 Council Garage Rents 2023/24

An increase in garage rents of 5% is proposed in line with the Authority's Fees and Charges increase. This would result in an average increase in the rent charged to £8.67 per week for 2023/24 (based on a calculated 52-week charge period), an increase of £0.43 per week.

Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands. A review of garage provision is currently underway.

- 2.6 The Lincoln Tenants' Panel (LTP) will be consulted on this report at their meeting on 10 January 2023. Their comments and observations will be reported verbally during the Executive Committee meeting.
- 2.7 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 those 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 On 15 November 2021, the Department for Levelling Up, Housing and Communities (DLUHC) formerly Ministry of Housing, Communities & Local Government (MHCLG) updated the Rent Standard guidance that registered providers of social housing must stay within.

The Rent Standard is one of three economic standards that the Regulator of Social Housing (RSH) expects private registered providers of social housing to comply with, this also applies to Local Authority providers of social housing. It sets the requirements around how registered providers set and increase rents for social housing in line with government policy as set out in DLUHC's Policy Statement on Rents for Social Housing.

In September, each year the annual Consumer Price Index (CPI) figure is recorded. this is used to establish the limit on annual rent increases for social housing. The limit on annual rent increases for the financial year 2023/24, would ordinarily be CPI (September 2022 set at 10.1%) plus 1%. Therefore, a potential 11.1% maximum increase.

As a Local Authority we have incurred huge extra costs as a result of the current economic conditions; interest rates have increased, inflation has increased material,

employee, and transport costs. The City of Lincoln like most households and businesses is dealing with exponential increases in energy costs. All of these drive up the costs of providing housing services. However, we must also consider the impact our rent increase has on our tenants particularly the most vulnerable who are bearing the brunt of the cost-of-living crisis. As such we are recommending an increase which will be 0.5% below the 7% cap being 6.5%.

3.4 As at week commencing 13 December 2022 there are currently 7846 council housing rent properties of those that have a current active tenancy: -

- 25% (27% previously reported in February 2022) are in receipt of full housing benefit payment
- 10% (12% previously reported in February 2022) are in receipt of partial housing benefit payment
- 36% (32% previously reported in February 2022) are in receipt of Universal Credit
- 29% do not receive any of the above

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 6.5% increase. For the City of Lincoln Council at the date of this report, 733 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 6.5% for 2023/24.

4. Impact of Government Policy on the Housing Revenue Account (HRA)

4.1 Contextually it should be noted that in July 2015 the Government announced that Social Housing rents would be reduced by 1% year on year from 2016 for four years. The impact/loss created from this is compounded by the fact that Local Authorities would have been increasing rents in line with guidance, IE CPI plus 1% over the period not reducing by 1%.

The impact on the City of Lincoln's HRA is an estimated rent loss of £17,000,000 over that four-year period. This income would have been spent on improving existing stock and adding homes to our stock which are desperately needed by our community.

Had this rent reduction not been imposed and the rents were increased as per the HRA Business Plan (CPI+1%) the average weekly rent for social housing rent would now be approximately £9 per week more.

4.2 The Government's Right to Buy (RTB) programme sales have negatively impacted on the council's current stock and therefore rental income. To date (April to December 2022) the Council have received 62 RTB applications (72 RTB applications in the same period last year).

Table 3.

| 2021/22 RTB Applications | | 2022/23 RTB Applications | |
|--------------------------|----|--------------------------|----|
| Received Apr-Dec 21 | 70 | Received Apr-Dec 22 | 62 |
| | | | |
| 1 bed | 3 | 1 bed | 4 |
| 2 bed | 9 | 2 bed | 16 |
| 3 bed | 15 | 3 bed | 19 |
| 4 bed | 1 | 4 bed | 0 |
| Total sold to date | 28 | Total sold to date | 39 |

Note: *the loss of 3+-bedroom homes has a significant impact on our ability to provide family homes.*

- 4.3 During the last nine months we have continued to add to our housing stock via the buy-back programme using the Purchase and Repair Scheme and the NSAP/RSAP process as follows: -

01 April 2022 to 13 December 2022 – total of 8 properties have been purchased.

Table 4.

| Bedrooms | | Number of P&R Properties |
|----------|--------|--------------------------|
| 1 | | 3 |
| 2 | | 3 |
| 3 | | 2 |
| 4 | | 0 |
| | Total: | 8 |

- 4.4 The Council continues to add high quality new homes to its stock in order to negate the impact of the RTB scheme. (see Para 4.2 above). During the last year 70 extra care home have been built at De Wint Court and in March 23 we will add another 42 homes at our Rookery Lane development, which is made up of a mix of 2-, 3- and 4-bedroom properties.

5. Strategic Priorities

5.1 Let's reduce all kinds of 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.

5.2 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.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

Council Housing Rents 2023/24

The impact of this change as of 14 December 2022 will be an increase to the current average calculated 52-week net social housing rent, from £73.44 per week to £78.17 per week – an average increase of £4.71 per week, and an increase on affordable rent from £116.91 per week to £124.31 an average increase of £7.58 per week.

(Please note that affordable rent properties, each time they become void have a new market rent valuation completed and the rent is charged at 80% of the market rent.)

Appendix 1.

Impact of increases on rent per bedroom size of property.

6.2 Council Garage Rents 2023-24

An increase in garage rents of 5% is proposed in line with the Authority's Fees and Charges increase. This would bring the charge to £8.67 for 2023/24 (based on a calculated 52-week charge period), an increase of £0.43 per week. Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands.

6.3 Legal Implications

There are no legal implications arising from this report.

6.4 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

When proposals of rent chargeable on social housing are recommended, they are applied across the board to all properties irrespective of any equality characteristic of the tenant.

There are policies that allow tenants to claim monetary assistance to pay their rent, for example Housing Benefit and Universal Credit for such things as age and disability. Thus, there are no direct equality, diversity, or human rights implications in this report”

7. Risk Implications

7.1 (i) Options Explored

Options explored; to calculate the rent at rates at 6.5% and the impact on the HRA.

7.2 (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,
- That Government intervention in capping future CPI levels at rates lower than those assumed in the MTFS and HRA Business Plan.

8. Recommendations.

8.1 To 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 2023/24 of 6.5% for social housing rents (£4.71 p/w) and affordable rents (£7.58 p/w) increase per property.

This is in accordance with Government policy.

8.2 To increase Council garage rents for 2023/24 in accordance with the proposal in paragraph 6.1 above by 5%.

8.3 To refer this report and recommendations to Full Council on Tuesday 17 January 2023.

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 2023 (Based on an average 52 week rent year inclusive of all rent types)

| Average rent increase per property by number of bedrooms per week | |
|---|-------------------|
| No. of beds | Increase per week |
| 1 & bedsits | £4.42 |
| 2 | £4.98 |
| 3 | £5.53 |
| 4 | £6.44 |
| 5 | £5.96 * |
| 6+ | £6.60 * |
| * No affordable rents for 5 or 6 + bed properties | |